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## Colorado Ex-Convict Charged in White House Fusillade

By Paul F. Horvitz  
*International Herald Tribune*

**WASHINGTON** — A Colorado man was charged Sunday with property and weapons violations after he pulled a semi-automatic rifle from beneath his raincoat the day before and sprayed the White House with as many as 30 shots.

There was no immediate suggestion from investigators that the incident was an attempted assassination of President Bill Clinton, but they did not rule out additional charges.

Federal officials said they were grateful

that the suspect, Francisco Martin Duran, an angry, despondent 26-year-old felon who had been drummed out of the military, did not injure anyone as he fired a Chinese-made SKS assault rifle from a Pennsylvania Avenue sidewalk through an iron fence about 75 meters from the residence.

The shooting raised new questions about the effectiveness of the Secret Service and placed the issue of gun control atop the political agenda.

White House officials, mindful of pivotal congressional elections a week away,

seized on the incident to point out that Mr. Clinton had only last month signed legislation banning certain military-style weapons similar to the SKS, a Chinese-made version of a Russian rifle. Republicans generally opposed the anti-crime measure.

"We think that it's time to get tough against these assault weapons," Vice President Al Gore said in a broadcast interview.

Leon E. Panetta, the White House chief of staff, said Mr. Clinton would go forward with a heavy political travel schedule and that no decision had been made on a Secret Service request to permanently

close the street and sidewalk adjacent to the White House.

The president's staff said he would attend a previously scheduled fund-raising performance Sunday evening at Ford's Theater, the site of the Lincoln assassination in 1865.

Investigators did not rule out the possibility that further inquiry would yield a charge of attempted assassination. But initial reports indicated that Mr. Duran was a disturbed man who acted alone and who, according to one account, carried a note

suggesting he wanted to die in a confrontation.

Mr. Clinton was in the White House on Saturday, watching a football game on television only a few hours after arriving home from the Middle East, and was unharmed in the mid-afternoon shooting. His wife and daughter were away.

Only one White House window, in a lower-level press room, was pierced. However, three bullets struck the upper walls of the building near the president's quarters.

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## This Time, No Panic

### Security Aides Play Down the Shooting, Although Aerial Attack Is Still a Worry

By Stephen Labaton  
*New York Times Service*

**WASHINGTON** — In September, security officials looked rattled when a small Cessna airplane breached the closely guarded White House compound and, without warning, crashed under the president's bedroom.

But the same security officials took the shooting on Saturday in stride, declaring only a few hours afterward that the gunman was so inept that his barrage could not even be considered a serious threat on the president's life.

"It would not characterize this as an assassination attempt at all, no way," said Richard Griffin, assistant director for protective operations at the Secret Service.

The two incidents highlight the strengths and vulnerabilities of the security

But the official said the windowpane closest to the rostrum used by Mr. Clinton and other senior officials is bulletproof.

Mr. Corder, by contrast, showed that if a confused, intoxicated man with limited flying skills could almost manage to hit the president's bedroom with no resistance, then a determined, skilled assassin could inflict far greater damage with such an approach.

In part, the difference reflects experience. For more than 40 years, the Secret Service has planned extensively for assaults involving guns. The security concern goes back to at least 1950, when two Puerto Rican nationalists tried unsuccessfully to shoot their way into Blair House, the official guest residence, and assassinate President Harry S. Truman. He had been staying there during renovations on the White House.

The difference also results from the security strategy during an assault. Because the White House sits in the middle of a city, security is more defensive than offensive. The usual approach for protecting the president in an assault is to move him, because sharpshooters and Secret Service agents are reluctant to fire their weapons into the crowded streets around the compound.

With an airport moments away from the White House, however, an assassin intent on flying into the building would be difficult to detect quickly.

Even after concrete barriers were placed around the White House to prevent car bombings, the Secret Service has continued to ask permission to close Pennsylvania Avenue to traffic. To some security officials, the easiest way to protect the president would be to put him in a hermetically sealed bubble.

"This is a stark reminder to the president and his party of how vulnerable they are," said John Gaughan, a former director of the White House military office. Given the location of the White House, he said, the risk is "there day in and day out."

But the White House has resisted closing Pennsylvania Avenue because as the chief of staff, Leon E. Panetta, explained again on Saturday, it does not want to project the image that the president's residence is inaccessible to the public.

"You have to do best you can to counter that," Mr. Gaughan said. "But this is America, and people have the right to see their house."

system around the 18-acre White House compound. They suggest that the president and others in the White House are more vulnerable to an airborne attack than to someone taking potshots with a rifle from Pennsylvania Avenue.

A senior White House official said that, in contrast to the midnight flight of Frank Eugene Corder, the assault on Saturday had no chance whatever of harming the president because he was in a building with thick walls and with bulletproof glass on all windows that count in terms of presidential security.

In the West Wing press room, one window that is standard glass was shattered.

## Pope Names 30 Cardinals, Shuffling Succession Fight

By Alan Cowell  
*New York Times Service*

**ROME** — In a sweeping move for both the politics and the theology of the Vatican, Pope John Paul II appointed 30 new cardinals on Sunday, cementing his influence on the uppermost ranks of the Roman Catholic Church and upending previous calculations about the likely identity of his successor.

The new appointments from 24 countries will bring the number of cardinals under the age of 80 — and, therefore, eligible under church law to elect a new pope — to 120, the maximum number allowed to participate in the secret ballot that takes place in the Sistine Chapel when a Pope dies.

The vast majority, numbering 100, have now been appointed by Pope John Paul II, meaning that his doctrinal conservatism will survive well into the next century.

Addressing the faithful from his apartment high above St. Peter's Square, the Pope said he would summon the existing cardinals to Rome on Nov. 26 to confirm the appointments. The ceremony, called a consistory, will be the sixth since John Paul assumed the papacy in 1978 and, numerically, the biggest.

The last one was held in June 1991, before the Pope, now 74, began to show signs of frailty and ill health. He has walked with a cane since breaking his thigh in a fall last April and he canceled a scheduled visit to the United States this month after telling aides he did not feel able to face the rigors of the journey.

The Pope has traditionally used consistories to appoint like-minded clerics who

share his conservative views on abortion, contraception and the ordination of women, ensuring that his influence will not die with him.

In recent months, there have been widespread reports of maneuvering over the succession within the Vatican and much open speculation about who the next Pope might be. But the latest appointments, worked out in close secrecy by the Pope himself, could well overtake those calculations, changing both the line-up of political lobbies and providing a whole new range of potential candidates for the papacy.

"For all we know, the next Pope could be one of these new cardinals," said a senior Vatican official, who spoke in return for anonymity.

At present, the college of cardinals numbers 137, but only 98 of them are "cardinal electors," meaning they are under 80 years of age. Two cardinals will reach their 80th year next month. Of the 30 new cardinals, 24 are under the age of 80.

The Pope said the geographic spread of the new cardinals showed "the universality of the church and the multiplicity of its

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### Kiosk

#### 2 Die in Shelling Near Sarajevo

**SARAJEVO**, Bosnia-Herzegovina (Reuters) — A suburb of Sarajevo was shelled Sunday evening for the second day in a row, killing one person and wounding 14, a police officer said.

A day earlier, one person died and at least four people were wounded in the shelling of the Muslim-held suburb of Hrasnica.

Book Review Bridge

## EU's Growth Strains Paris-Bonn Alliance

By William Drostiak  
*Washington Post Service*

**PARIS** — The imminent expansion of the European Union to the north and the east is creating a deep cleavage of interests between France and Germany that may imperil closer political and economic integration, according to diplomats and politicians in several European capitals.

Once regarded as a vital adjustment to the new realities of the post-Cold War era, the incorporation of Austria, Norway, Sweden and Finland by the end of this year and perhaps such eastern states as Poland, Hungary and the Czech Republic by the end of the decade is provoking fresh alarm about the strategic consequences of such a dramatic shift in Europe's center of gravity. If the Union ignores Europe's

southern neighbors, France and its allies contend, it will do so at the coalition's peril.

"There is a major imbalance to the detriment of the south in favor of the east," said Jacques Santer deftly settles top jobs in the European Commission. Page 2

Manuel Marin, a Spaniard who heads the EU development aid program. "The east receives five times as much aid, although the south supplies much of Europe's oil and gas and has sent many more immigrants to work here. It's time to re-establish the balance."

While nobody is talking about revoking offers to prospective members, there is a

new sense of urgency among European governments that something must be done to cope with the centrifugal forces to prevent the Union from reverting to little more than a free-trade area or even ultimately splitting apart.

"Contradictions are beginning to emerge, and we must prevent them from becoming lethal," said President Francois Mitterrand of France recently after two days of talks with Prime Minister Felipe Gonzalez of Spain on the looming impact of EU enlargement.

Worried by the threat of political instability in North Africa, the EU's leading southern states — France, Spain and Italy — have demanded that the Union turn its

See EUROPE, Page 6

## Israel to Ease Blockade at Palestinian Border Points

### Announcement Is Made In Casablanca as Rabin Meets Arab Leaders

By Clyde Haberman  
*New York Times Service*

**JERUSALEM** — Israel said Sunday that starting on Tuesday it would relax the blockade that it had thrown around the West Bank and Gaza Strip after the Oct. 19 suicide bombing of a Tel Aviv bus that killed 22 passengers and the attacker.

At the same time, Israel and the Palestine Liberation Organization hammered out arrangements to station Palestinian police officers for the first time at the border crossings from Gaza into Egypt and from the West Bank into Jordan. They may take up their posts as early as Monday.

Both developments were announced in Casablanca, Morocco, where Israeli and PLO leaders met before the opening of a conference on economic development in the Middle East and northern Africa.

A large Israeli delegation went, including eight cabinet ministers and dozens of industrialists. Coming as it did only four days after Israel signed a peace treaty with Jordan, the Casablanca gathering was viewed by many here as another sign of its growing acceptance by the Arab world.

But they also recognized that progress on that front hinged on expanding their agreement with the PLO on Palestinian self-rule, still in its early stages in the Gaza Strip and the West Bank town of Jericho. And so a meeting in Casablanca on Sunday between the PLO chairman, Yasser Arafat, and Prime Minister Yitzhak Rabin of Israel amounted to a rescue mission to get their negotiations back on a firmer track.

They have been on a rocky course for weeks, jarred by several terrorist attacks carried out by the Hamas Islamic militants and capped by the Tel Aviv bus bombing.

Israel immediately sealed off Gaza and the West Bank after that attack, keeping some 60,000 Palestinian laborers from low-paying jobs in Israel and deepening the territories' economic troubles. For Israelis, the separation was welcomed as both a security measure and a way to allow passions to cool. But for Palestinians, it came as collective punishment, and it weakened Mr. Arafat — and strengthened Hamas — by making him look like a captive of Israeli decision-makers.

Already feeling shunted aside by the Israel-Jordanian treaty, the PLO made an end to the territorial closing its No. 1 demand. And Mr. Rabin, apparently con-

See MIDEAST, Page 6

## IRA Leader Yields a Bit on United Ireland

By James F. Clarity  
*New York Times Service*

**DUBLIN** — Gerry Adams, the political leader of the Irish Republican Army, said Sunday that he could agree to a compromise solution of the sectarian conflict in Northern Ireland that fell short of the IRA's ultimate goal of a united Ireland.

In perhaps the most conciliatory statement he has made since the IRA began a cease-fire two months ago, Mr. Adams said that as president of Sinn Fein, the IRA's political wing, he still wanted a "unitary state" combining the North, a Protestant-dominated British province, with the overwhelmingly Roman Catholic Irish Republic.

But, asked in an Ulster Television interview if he was prepared to accept a settlement that is something other than a united Ireland, he said: "Yes, I'm prepared to compromise. I'd like to see a united Ireland. I am an Irish Republican and make no apologies for that."

Referring to peace talks he expects to have with the British and Irish governments in the coming months, and talks he wants with Protestant leaders, he added. "We may have to talk about times, we may have to talk about what replaces it, we may have to talk about transitional modes."

An Ireland uniting the six counties of

See ADAMS, Page 6

## Kid Stress, a Symptom of Middle-Class India's Angst

By Molly Moore  
*Washington Post Service*

**NEW DELHI** — Varun Bharti was confident that he had answered every question correctly for his school admissions interview. He had practiced for weeks: He knew his name, his father's job, his mother's job.

His mother was stunned when the prestigious New Delhi private school sent its icy rejection, declaring: "Your child was unable to perform according to the level of the school. Please do not make any further inquiries."

Varun, at age 3, had flunked his nurs-

ery school entrance test, his first academic setback in a viciously competitive education system.

In India, where the world's fastest-growing middle class is undergoing profound changes in its professional and social expectations, toddler stress has become the latest manifestation of the frenetic race to get ahead.

Parents are imposing great demands on their children to jump-start their educations at earlier ages, hoping to help the youngsters cash in on lucrative futures in the country's newly liberalized market-place.

"The middle class's aspirations are growing so rapidly they have realized that the only real ladder to rising economically and socially is through education," said Shakti Sinha, director of education for the New Delhi city schools.

Overshielding parents now begin grooming children as young as two and a half for the battery of entrance interviews for admission to the city's most elite private nursery schools. Once in school, the stress only increases.

A recent government-sponsored study found that 86 percent of private schools surveyed assigned an average of four to

11 books to toddlers between the ages of 2 and 3. As the youngsters reach first and second grade, they will tote a nine-pound load of books between school and home each day.

"For the children, it is sheer torture," said Nisha Mehra, a teacher at a New Delhi private school.

The trend has so alarmed the country's educators that the government next year will increase age limits on children entering nursery and preschools. This fall the government recommended, but did not

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| Newsstand Prices |             |
|------------------|-------------|
| Andorra          | 9.00 FF     |
| Armenia          | 11.20 FF    |
| Morocco          | 12 Dh       |
| Cameroun         | E.P. 5000   |
| Qatar            | 8.00 Rials  |
| Egypt            | 11.20 FF    |
| France           | 9.00 FF     |
| Saudi Arabia     | 9.00 R.     |
| Greece           | 9.00 Dr.    |
| Spain            | 200 Pts     |
| Tunisia          | 1,000 Dhs   |
| Italy            | 2,000 Lire  |
| Iraq             | 1,200 Dinar |
| Jordan           | 1,200 D.P.  |
| Lebanon          | 1,200 D.L.  |
| U.S.             |             |

# New EU Chief Puts Imprint on Agency

## Settling Commission's Top Jobs, Santer Firmly Rebuffs Brittan

By Tom Buerkle  
International Herald Tribune

LUXEMBOURG — Jacques Santer, whose abilities were widely questioned when he was chosen in July to succeed Jacques Delors, began answering his critics over the weekend by settling the top jobs in the European Commission and overriding one of the agency's brightest stars, Sir Leon Brittan.

The agreement on an enlarged and reorganized commission, the European Union's executive agency, consolidates more power than ever before in the commission president. Mr. Santer put himself in charge of coordinating foreign affairs. monetary matters and the preparation of a 1996 conference to reform the Union itself.

Just as important as the result was the way it was achieved.

Mr. Santer rebuffed a grab for power by Sir Leon, who bid unsuccessfully for the presidency and fought hard at Saturday's meeting to retain control over EU policy toward Eastern Europe, the biggest challenge in coming years. In rejecting that bid, Mr. Santer enhanced his standing and left Sir Leon contemplating resignation.

"He has maintained his authority, and that is very good for the future," said Manuel Marin of Spain, one of eight returning incumbents.

"He's a good negotiator," said Anita Gradin, Sweden's first commission nominee.

Mrs. Gradin, 61, benefited from Mr. Santer's political skills. At the meeting at Luxembourg's Scanningen castle, she argued that Swedish women needed convincing that the Union would promote sexual equality if they were to support EU membership in the country's referendum on Nov. 13. So Mr. Santer put her in charge of equal opportunity, as well as immigration and home affairs.

Similarly, he awarded the fishing portfolio to Oslo's nominee, Thorvald Stoltenberg, the current UN mediator for Bosnia, in a bid to calm the fears of Norway's fishing industry ahead of a referendum there on Nov. 28.

"I want to give a hand to the campaigns to win the referendum," Mr. Santer said afterward.

There were few surprises in the job selections, with most in-

cumbent commissioners holding onto the majority of their existing turf.

The key test was Mr. Santer's desire to reorganize foreign affairs along geographic boundaries, abandoning a two-year experiment of dividing responsibility between commercial affairs, held by Sir Leon, and political matters, handled by Hans van den Broek, a former Dutch foreign minister. That split has provoked almost constant friction between the two men.

Mr. Santer had offered to keep Sir Leon in charge of overall trade policy and relations developed countries like the United States and Japan, while giving Eastern Europe to Mr. van den Broek. But Sir Leon, who has already crafted the Union's current strategy and argued that integrating the East was an essentially economic task, refused to agree.

At Saturday's meeting, Sir Leon even made a last-ditch offer to drop trade policy in exchange for Eastern Europe, according to officials who were present, but Mr. van den Broek declined to accept.

After what Mr. Santer acknowledged was a long and frank debate, and with the other nominees evenly split on the issue, one source said he told the gathering: "I've listened to all of this. I stick with my scheme."

His colleagues then closed ranks in support.

For the Santer camp, surmounting the challenge was vital for his credibility.

A disconsolate Sir Leon met with his staff late Saturday and spoke by telephone with Prime Minister John Major of Britain, who could face a new battle within his Conservative Party between EU supporters and skeptics if he has to choose a replacement.

A spokesman for Sir Leon said Sunday that he would decide within a few days whether to stay or quit, but would go to a meeting of EU and East European foreign ministers in Luxembourg on Monday.

Sir Leon's obduracy surprised his colleagues, given the importance of his trade post and the need to give up some territory to provide jobs for four new commissioners from Austria, Finland, Sweden and Norway.



Part of the new EU Commission, from left: Edith Cresson, Jacques Santer, Monika Wulf-Mathies and Karel van Miert.

### The Commission

Reuters

**LUXEMBOURG** — The incoming European Commission, which takes office in January, divided responsibilities among its 21 members as follows:

**Jacques Santer (Luxembourg):** President with shared responsibility for common foreign and security policy; environment, energy and 1996 Inter-governmental conference.

**Monika Wulf-Mathies (Spain):** Relations with Mediterranean, Middle and Near East, Latin America and developing areas.

**Karel van Miert (Belgium):** Competition.

**Hans van den Broek (Netherlands):** Relations with East and Central Europe, former Soviet Union, Turkey, Cyprus, Malta and other European countries, and common foreign and security policy.

**John Hume (United Kingdom):** Relations with United States, Australia, New Zealand, Japan, China, South Korea, Hong Kong, Mexico, Taiwan, foreign trade, the Organization for Economic Cooperation and Development and the World Trade Organization.

**Monique Barbin (Portugal):** Relations with African, Caribbean and Pacific countries.

**Padraig Flynn (Ireland):** Employment and social affairs.

**Monteiro Orsi (Spain):** Institutional affairs, culture and media.

**Edith Cresson (France):** Science and research, industry and competition.

**André Darré (Denmark):** Environment and nuclear security.

**Monika Wulf-Mathies (Germany):** Regional policy, structural funds and cohesion fund.

**John Hume (United Kingdom):** Transport policy.

**Marie Monti (Italy):** Internal market, financial services, customs and taxation.

**Emilio Bonino (Italy):** Consumer affairs and humanitarian aid.

**Yves-Thibault de Silguy (France):** Economic and monetary affairs, credits and investments and statistics.

**Dimitris Avramopoulos (Greece):** Energy, European small and medium-sized firms and tourism.

**Thorvald Stoltenberg (Norway):** Fisheries.

**Anita Gradin (Sweden):** Immigration and judicial affairs and the fight against fraud.

**Franz Fischer (Austria):** Agriculture and rural development.

**Erikki Liikanen (Finland):** Budget and administration, translation and interpretation.

## Berlusconi Attacked Over EU Choices

Reuters

**ROME** — Italian cabinet ministers have accused Prime Minister Silvio Berlusconi of bungling the nomination of European Union commissioners, and some said he had missed a golden opportunity to make peace with the opposition.

"We missed a magnificent opportunity," Mr. Ferrara said in a letter published in the Milan newspaper *Corriere della Sera*.

Mr. Berlusconi announced his two choices last Friday after an acrimonious tug-of-war that exposed deep tensions within the government.

Foreign Minister Antonio Martino said over the weekend that the nominations should

have been made months ago, and the cabinet spokesman, Giuliano Ferrara, said one candidate should have been chosen from the opposition.

"We missed a magnificent opportunity," Mr. Ferrara said in a letter published in the Milan newspaper *Corriere della Sera*.

Mr. Berlusconi finally named Mario Monti, an economist, and Emma Bonino, a member of Parliament for the Radical Party, as the new commissioners.

Newspaper commentators said she was appointed in a bid to keep her group within the coalition government.

## Harrods Boss Snipes at Major

Stung by Report, Al Fayed Offers Data on Conservatives

By Richard W. Stevenson  
*New York Times Service*

appeal to the European Court of Justice, in September.

**LONDON** — Mohamed al Fayed is the owner of Harrods, one of the great British institutions. The Egyptian-born businessman has called Britain home for three decades, and he has donated hundreds of thousands of dollars to the Conservative Party.

From Mr. al Fayed's perspective, the only reward for his zeal was to be branded a liar by the British government, which issued a report in 1990 saying that he and his brother Ali had "dishonestly misrepresented" their backgrounds and wealth during a takeover battle for the luxury department store in the mid-1980s.

He sought to have the report withdrawn or declared improper by the courts, but lost his last

appeal to the European Court of Justice, in September.

Mr. al Fayed was happy to take more than \$400,000 in campaign contributions from him.

The dispute has its roots in the takeover battle for Harrods in 1985. Mr. al Fayed won the battle against a rival financier, Roland ("Tiny") Rowland, but Mr. Rowland counterattacked, contending that Mr. al Fayed had exaggerated his wealth and lied about his family history.

The Department of Trade and Industry eventually agreed to look into Mr. Rowland's assertions.

The department's report said the wealth of the Fayed family was a fraction of what it claimed and that most of the money available to the family during the takeover came from "their association with the Sultan of Brunei."

The report said that rather than being "members of an old established Egyptian family who for more than 100 years were shipowners, landowners and industrialists in Egypt," as they claimed, the Fayed's "came from respectable but humble origins and are the sons of a teacher."

Mr. al Fayed called the report "wrongheaded and unfair." Then he went to his own files for information on prominent politicians he has dealt with over the years.

■ **Treasury Aide Under Fire**

Mr. Aitken, under pressure about his marriage and his family have rocked Britain, says in new biography that he found Barbara Streisand "devastatingly attractive with great sex appeal."

In the extract, he speaks of his romance with Hollywood, saying that he met Frank Sinatra, who "looked like Tonto, dressed in yellow leather."

Joan Collins had "an unbelievable cleavage all raised up and presented as if on a tray," he says.

The authorized biography by

the journalist Jonathan Dimbleby, serialized in The Sunday Times of London, has so far told of his affairs with Camilla Parker Bowles, of his marriage with Diana and of his domineering father, Prince Philip.

Mr. Dimbleby said Sunday that Charles had never said that he had never loved Diana.

Charles had been widely quoted as saying that he felt pressured into a loveless, failed marriage by Prince Philip, while still infatuated with Mrs. Parker-Bowles, an army officer's wife.

Mr. Dimbleby's book says that Charles and Camilla had three separate affairs, two before he married and the third when he felt his marriage had broken down permanently.

Diana was reportedly crushed to learn that he never loved her at the time of their wedding.

Mr. Dimbleby's defense of Charles apparently placed him at odds with The Sunday Times, serializing excerpts of his book.

Two weeks ago, publishing the first extract, the paper's banner headline on its front page read: "Charles: My Agony After Being Forced into a Loveless Marriage — Authorized Biography Reveals Ultimatum from Prince Philip."

"It is not in the book," Mr. Dimbleby said on BBC television. "It was not in the extracts. So far as I know he's never said it. I never attributed that to him. I have never heard anyone

say that of him. It was not inferred in the book in any way."

The book, to be published on Thursday, is tailored to give the prince's views on monarchy, his marriage and his philosophy.

The book says Charles is more content than he has been for many years, after his separation from Diana.

The prince is quoted as saying on the monarchy: "It is considered in the country at large that there are too many of the royal family and too much public money being spent on them. Would it not be better to sit down and examine how many members of the family you actually need?"

The book says the prince, not even in moments of despair over his personal life or press coverage of it, contemplated surrendering what he considered his inescapable duty to succeed Queen Elizabeth, nor has he ever favored abdication.

He does on his sons, William and Harry, according to Mr. Dimbleby, who said: "He has been deeply hurt by media lies that he is distant and unloving to them."

■ **Prince in Los Angeles**

Prince Charles is to begin a five-day visit to Los Angeles on Monday, Agence France-Presse reported. He is expected to visit projects intended to rejuvenate inner-city areas in the wake of the 1992 race riots.

## WORLD BRIEFS

### Iran Protests French Ban on Scarves

TEHRAN (AP) — Iran has launched an anti-French campaign over the banning of Islamic headscarves in French schools. Iranian leaders and the press regularly condemn the ban as "proof of the hypocritical nature of Western democracy." A demonstration is to be held outside the French Embassy in Tehran on Monday in protest.

Meanwhile, three Iranians are scheduled to go on trial Wednesday in Paris for the killing of former Prime Minister Shabday Bakhtiar in 1991. The three, Ali Rad Vakili, Mohammed Azadi and Freydoun Boyerahmadi, have been charged by France's anti-terrorist judge, Jean-Louis Bruguiere.

### Incumbent Leads Mozambique Vote

MAPUTO, Mozambique (Reuters) — The Mozambican opposition leader, Afonso Dhlakama, said Sunday that he wanted to meet with President Joaquim Chissano after elections in which partial returns solidly favored the incumbent.

Mr. Dhlakama said he was prepared to meet Mr. Chissano anytime "so that we can discuss the future." Mr. Dhlakama said he wanted to discuss a peaceful transition after the elections, which are aimed at consolidating two-year-old peace accords which ended 16 years of civil war.

The independent National Electoral Commission estimated 90 percent of 6.4 million registered voters in the southern African nation of 16 million people cast their ballots, and early returns from pro-government areas showed Mr. Chissano winning overwhelmingly.

### Algeria-Muslim Contacts at Impasse

ALGIERS (AP) — Fear of an escalation in violence was heightened Sunday after the government announced an impasse in contacts with Muslim fundamentalists, who urged its militants to fight on.

"The events risk multiplying," La Tribune, an independent daily, said Sunday after President Liamine Zeroual announced the night before that the military-backed government and the opposition "unfortunately remain far apart."

More than 10,000 people have died since the Islamic Salvation Front was blocked from an imminent election victory in January 1992 amid public frustration with corruption and high unemployment.

### Rocket Barrage Kills 12 in Kabul

ISLAMABAD, Pakistan (Reuters) — Opponents of President Burhanuddin Rabbani of Afghanistan fired 43 rockets into Kabul on Sunday, killing 12 people and wounding 27. Kabul radio said.

The broadcast, monitored in Islamabad, blamed the rocketing on the militia controlled by Mr. Rabbani's opponent, Prime Minister Gulbuddin Hekmatyar.

The rocketing was the worst reported by the official press since a partly observed truce was announced on Tuesday. Factional fighting has killed more than 12,000 people in Kabul since the mujahidin took power from a collapsed Communist government in April 1992 after 14 years of civil war.

### Colombians Vote in Flawed Election

BOGOTA (Reuters) — Colombians voted Sunday in elections for more than 12,500 mayors, provincial governors and city councilors. But polling in eight municipalities was canceled because of violence during the campaign that has left more than two dozen people dead.

Despite government pledges to cancel the result of any violence, the country's powerful drug traffickers and rebels have reported that cocaine cartels, paramilitaries and guerrillas are well advanced in their plans to consolidate control in various areas.

In the most serious incident before the elections, five soldiers, four rebels and one civilian were killed when rebels ambushed a military patrol on Saturday near Sabana de Torres, about 240 miles (400 kilometers) north of Bogota.

### North Korean Generals Support Kim

SEOUL (AP) — North Korea's military has pledged loyalty to Kim Jong II, a day after the nation's heir apparent made his first reference to his role as Communist leader, an official report said Sunday.

Generals of the Korean People's Army declared that they "would remain loyal on upholding the leadership of respected General Kim Jong II," the Korean Central News Agency said.

The show of allegiance by generals during public ceremonies Saturday, and Mr. Kim's promise to carry on his father's revolutionary ideas, were signs that the son of President Kim Il Sung has begun to take power, analysts said.

### TRAVEL UPDATE

#### Big Ben: Leaning Tower of London?

LONDON (Reuters) — The British Parliament's Big Ben clock tower is starting to tilt slightly and could become London's own leaning tower. Exploratory tunneling work for an extension to the Jubilee line of the Underground

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# International Herald Tribune

Published With The New York Times and The Washington Post

## A Slow Start for Aristide

With his presidential term interrupted by three years of enforced exile, the Rev. Jean-Bertrand Aristide had ample time to think about how and where he would lead Haiti once he got back. Yet two weeks after his return, key cabinet jobs remain vacant and the government has offered only a vague blueprint for the remaining 16 months of its mandate.

It is obviously impossible, in such a short time, to fulfill the material hopes placed in this government by the millions of poor Haitians who elected it. suffered for it and patiently awaited its return. All the more reason for Father Aristide to encourage thinking about longer-term economic prospects to assure people that today's sacrifices are not in vain.

He has named new prime minister, Smauck Michel, a businessman and long-time associate. But the rest of the cabinet consists of holdovers from the caretaker government of Robert Malval, who resigned almost a year ago. The most important ministry, justice, remains vacant.

Mr. Michel is a bridge between the president and the largely anti-Aristide business elite. The gesture is important, but Mr. Michel yields far less influence among business leaders than, for example, Mr. Malval. Without embracing people who do not share his commitment to the poor, Father Aristide needs to reach out further to progressive business leaders and members of Parliament who would work with him if he asked.

In that regard, the president's harmonious meeting Thursday with a broad spectrum of political leaders was an encouraging sign. Haiti's most urgent problems are establishing political stability, demilitarizing the streets and reconciling factions divided mainly by personalities and history, not ideologies of left or right.

The only other clue to the government's intentions is a strategy statement drafted by Father Aristide's economic consultants who met with international financial institutions in August. The consultants told the bankers what they want-

ed to hear. The statement offers the usual pieties about budgetary austerity, tariff reduction, getting government out of the marketplace and shrinking bureaucracy. Many of these goals are worthy, but the plan makes little attempt to reconcile them with Haitian realities, leaving the impression that it is intended mainly for foreign consumption, not actual application.

Given Haiti's extreme problems of mass poverty, physical intimidation and lack of legal accountability, the government cannot just pull back and expect private institutions and markets to function as they might elsewhere.

If Haiti is to find a place in the regional economy, it must be based on a realistic appreciation of what role a country with limited resources can play. Perhaps Haiti will want to compete with other Caribbean countries as tourist destination, or try to rebuild the export assembly industries it began to attract in the late 1980s. The government cannot make these decisions on its own, but all are politically sensitive. By facing up to them now, the Aristide government can smooth the way to their future acceptance and offer people some concrete hope of a better future.

The dickest problem is creating, for the first time in Haitian history, a justice system worthy of the name. That will involve hiring and training a new civilian police force almost from scratch and thoroughly reforming the courts. And some credible way must be found to investigate crimes committed during the dictatorship, to channel popular anger away from street vengeance. The first step is naming a respected justice minister.

The wisest strategy for Washington right now is to resist all temptation to let U.S. forces step into roles that Haitians themselves must play. For his part, Father Aristide can show his appreciation to President Bill Clinton by moving as swiftly as possible to rebuild a Haiti that can stand on its own and let those 16,000 U.S. troops safely return home.

—THE NEW YORK TIMES.

## Legacies of Soviet Decay

Russia has become accident-prone. Now a huge oil spill has developed near the city of Usinsk, just below the Arctic Circle, where a decrepit pipeline has been leaking for months. Despite the leaks, the Russians have continued to try to use the line because they badly need the oil.

This spill has much in common with other recent industrial accidents and ecological disasters in Russia. Their origins lie in the last 15 years or so of the Soviet regime, when the pressure of a growing economic crisis led to a reckless emphasis on production with no thought for even minimal maintenance, safety standards or protection of the environment. The Soviet Union is gone, but the people who have inherited its industrial structure are desperate for fuel and export earnings. They understand the risks in continuing to use defective equipment, but they cannot afford to shut the country down for repairs.

Russia's oil production last summer was around 6 million barrels a day, according to the International Energy Agency — barely half the level of the peak a decade ago. But one-third of that production goes abroad, and Russia remains one of the world's major exporters. Keeping up that flow is crucial to the country's financial plans.

—THE WASHINGTON POST.

## Other Comment

### Sharpen the Message for Assad

Given the chance to condemn terrorism publicly during his joint news conference with President Bill Clinton in Damascus last week, President Hafez Assad of Syria chose instead to maintain an aloof silence. Asked about his own country's role in sponsoring and harboring terrorists, he could do no better than lamely assert that no one can prove Syria's guilt in these matters. These are not encouraging responses from the leader of a country that, this year as in years past, occupies a prominent place on the U.S. State Department's list of countries involved in terrorism.

That Syria is officially condemned for state terrorism means that Mr. Clinton assumed certain political risks when he decided to honor Mr. Assad by visiting him in his capital, Mt. Assad, while clearly relishing the honor, did nothing, however, to help out his visitor. He denied that the subject of Syria's terrorism came up in his three or four hours of talks with Mr. Clinton. Mr. Clinton indicated the issue did come up, but he does not seem to have pressed it forcefully. No doubt his rationale was that in the limited time available he wanted to focus on what Syria could do to move its peace negotiations with Israel along. Still, it's obvious Mr. Clinton missed a rare opportunity to

make it clear that so long as Syria plays the terrorism game its relations with the United States will suffer.

It has been left to others to make that point, most immediately to Senators Patrick Leahy, Democrat of Vermont and member of the Foreign Relations Committee, and Dennis DeConcini, Democrat of Arizona and member of the Intelligence Committee. Both accompanied Mr. Clinton to Damascus. Both also indicated after the Clinton-Assad meeting that they would oppose better relations with Syria until Mr. Assad acts to shut down the terrorist groups whose headquarters he permits in Damascus and to stop aiding Hezbollah, which operates out of Syrian-controlled southern Lebanon and receives a steady flow of Syrian arms and explosives.

Mr. Assad has always been shrewd in keeping his options open. Presumably he continues to regard Syria's association with terrorism as one more card to play in the long poker game of Middle East politics. If he ever gives it up, he will want something of high value in exchange. He has things backward. What Washington should make clear is that first Syria must end its involvement with terrorism, then it will be possible for the United States to consider a closer bilateral relationship.

—The Los Angeles Times.



## America on the Golan? A Debate to Watch

By Stephen S. Rosenfeld

**WASHINGTON** — With President Bill Clinton having now taken the — very hard — road to Damascus, it is late in the day but still essential to review a particular item he brought there and to Jerusalem as well. This would be a U.S. commitment to help keep the peace that is meant to emerge if Israel and Syria agree on the terms by which the Golan Heights go back to Syria.

It sounds brave and New Age: American soldiers in their own or perhaps UN helmets locking up the last strategic piece of the Arab-Israeli jigsaw. The momentum that such an offer could be expected to lend the peace process is what took the Clinton administration to this place, Secretary of Defense William Perry told some of us last week.

To get there, however, the administration had to clamber over some hurdles. One, Mr. Perry indicated, was awareness of a historic Israeli interest in maintaining the option of pre-emptive attack in a crisis — an option that international forces might crimp. A second was the "schism" between Israeli settlers and the government on what kind of a settlement the country eventually wants. "In many ways, that's one of the biggest problems we would have in trying to enforce any kind of a peace agreement," said Mr. Perry.

In fact, the American and Israeli debate — is there any debate in Syria? — goes to the tender core of post-Cold War regional stability. The United Nations in a phase on peacekeeping where its resources have been stretched thin, its capabilities often found wanting and its self-confidence much dimmed. Hence the impulse of Israel —

whose arms, grit and friendship with America give it a rare opportunity for national choice — to shop for something better.

In these times of selective American taste for new foreign entanglements, you might be surprised to find much interest either at home or abroad in an American Golan role. The emphasis in official U.S. peacekeeping policy now rests on Lite Interventions, operations that the United States could slip out of fairly quickly and easily if trouble arose. This would seem to be the precise opposite of the constancy that effective peacekeeping in the Mideast requires.

Still, there is an evident market for U.S. engagement. The Labor government of Israel has set aside some part of the nation's traditional favor for direct military self-reliance. It seems ready for the company of U.S. "monitors" on Golan, the better apparently to persuade the Israeli public to make the requisite territory-for-peace exchange. Syria is easier to figure. An American presence on Golan promises it a measure of additional protection against Israeli military threat; and a filter of sorts against what is for it the hard requirement of broad contact with Israel.

Israelis and Syrians are entitled to their views. So are Americans. Some sensible thoughts come from the hard-line Center for Security Policy in Washington: its report is signed by Richard Perle, a former Reagan Pentagon aide, and other military and civilian formers. Debate the question now, the

report urges, before an administration commitment hardens beyond the means of the public and Congress to affect it. And note the difference from Sinai, where peacekeeping has been successfully uneventful for 15 years. Golan is small, close, strategic and populated, and Syria's leader now, unlike Egypt's then, hasn't put his heart into peace.

A key finding on a sensitive issue often muddled: "The presence of U.S. troops on the Golan would increase the likelihood of U.S. opposition to pre-emptive military action by Israel, no matter how urgent or well advised. The standard American tendency to disapprove military action would be reinforced powerfully by substitute for the U.S. peacekeepers. Hence, the effect of the U.S. deployment might be the opposite of that intended: it could reduce fear of Israeli pre-emption among potential Arab aggressors."

The conclusion: "There is no mission or rationale for a U.S. peacekeeping force on the Golan that would justify the resulting costs and risks. ... A deployment would increase the danger of direct U.S. involvement in a future Middle East war and undermine Israel's standing with the U.S. public as a self-reliant ally."

You can look at the institute that delivered this report partly as a Washington outpost of Israel's Likud opposition. Its cautions seem to me no less well-taken for that political fact. Whether the righteous and growing American support for Mideast peace should take this further military form ought to be considered still an open question.

The Washington Post.

## California's Anti-Immigrant Assault Solves Nothing

By Jim Hoagland

**WASHINGTON** — Michael Huffington, meet Francois Mitterrand. The multimillionaire, self-styled conservative who is attempting to appropriate Dianne Feinstein's U.S. Senate seat would seem to have little in common with the Socialist president of France. But I am sure they would have a lot to say to each other about illegal immigration.

Mr. Huffington has been saying a good deal on the topic in California's bitterly contested Senate race. First he endorsed the state's draconian Proposition 187, which would deny nonresident aliens health care, schooling and other government aid to the Golden State's 1.7 million illegal immigrants. Illegal immigration, he said from the campaign stump, is "harmful and divisive."

That was just before he had to fess up that he had employed an illegal alien as his children's nanny for four years, an admission that could cost him the election.

The silver-lining way of looking at it, Michael, is that you have just become a potent personal

symbol of a problem that plagues industrial societies everywhere.

That is where Mr. Mitterrand and France come in. The French president could tell you how his country's conservatives have done a Huffington on a much larger scale. They have employed cheap foreign labor when it was needed and then denied any larger responsibilities toward those workers and their families when their presence was no longer convenient.

In France, conservative governments in the 1960s and '70s were relaxed about the growing number of North Africans who poured in to take menial jobs French workers spurned. Now, with unemployment at record levels, the same French conservatives lead the campaign to cut or eliminate benefits and job opportunities for those same Arab immigrants — and blame the Socialists for not having acted while in power to deport these non-Frenchmen who are draining the national coffers.

Having your cake and eating it too in this manner is not unknown elsewhere in Europe. But California is the state of the art when it comes to bringing them in and then bashing them for being there. Governor Pete Wilson sponsored the Seasonal Agricultural Worker program when he was a U.S. senator in the 1980s, ensuring his state's agribusiness a steady supply of foreign labor. Now polls show Mr. Wilson riding his support for Proposition 187 to probable victory over Kathleen Brown on Nov. 8. The immigration initiative was also expected to pass.

The Huffington case neatly traces the trajectory that foreign workers follow in nation after nation as economic circumstances change: A need and appreciated labor unit is transformed into a dirty political secret as jobs and welfare benefits grow scarce. To avoid blame, the conservative politicians and businessmen who encouraged them to come start to portray illegal workers as predators and flail those who would try

to secure them better treatment.

Immigration — both legal and illegal — does of course pose serious problems across the globe. But why is America's attitude toward immigration changing so sharply? A thoughtful answer to that question comes from the leader of the Republicans in the House, Newt Gingrich: People who immigrated to America traditionally were seen as risk-takers, the Georgia Republican told me recently. They were gamblers who left behind old countries and old ways to plunge into the rough and tumble of capitalism. They may not have in fact improved their own lot, enduring exploitation and hard times, but they did build a better future for their children.

Statistics suggest that is still largely true, even though today's immigrants come from Mexico, Vietnam or Cuba instead of Ireland, Poland or Italy.

But anecdotal evidence and angry campaigns like California's reshape the American public's attitude toward immigration. Just as they elsewhere, electorates in America are now concluding that immigrants come to their countries to go on welfare and get free health care and education.

California does itself, and the rest of the nation, a disservice by focusing a lot of heat and self-serving electoral propaganda on an issue that needs much light and public education. Even in election time, politicians have a responsibility to do better than that.

The Washington Post.

## South Africa Needs Economic Rights

By Kader Asmal and Ronald Roberts

**JOHANNESBURG** — The first revolution in South Africa ended the legal disenfranchisement of millions of people. The second must overcome the continuing reality of their economic disenfranchisement. Long after its carcass has been laid to rest, apartheid could still throttle the country.

To ensure that this does not happen, South Africa's new Constitutional Court has an important role to play in protecting fundamental human rights. It was encouraging that in their White House press conference earlier this month, Bill Clinton and Nelson Mandela announced that restructuring South Africa's legal system would be one of their major areas of cooperation.

Mr. Mandela's government faces a daunting task in balancing the legitimate aspirations of the black majority against the demands of a powerful white minority. Decent food, water and a livable hood, equal access to a home and a place in school — these basic needs, no less than the right to vote, should now be a cause not only for eloquent handwringing but also constitutional litigation.

The equality clause of South Africa's interim constitution outlaws indirect discrimination. It may thus provide sufficient room for the Constitutional Court to review the racially skewed allotment of the country's basic resources. Under the system set up under apartheid, for example, opulent white suburbs are subsidized by taxes from all South Africans, while black townships are denied a share of benefits proportionate to the taxes imposed on them. Such harsh inequities will not suddenly evaporate, and the court, imaginatively exercising its powers of judicial review, could be a watchdog over a range of such issues.

But formal equality — of the kind mandated

by the U.S. Supreme Court's decision in *Brown vs. Board of Education* in 1954 — will not be enough. That court's doctrinal meanderings over the years show that vital social and economic rights should not be left to the vagaries of legal interpretation. Thus South Africa's permanent constitution — which is to replace the interim document in five years, in time for the next national elections — must more explicitly enshrine these basic rights.

Every significant fundamental rights document since the Universal Declaration of Human Rights, in 1948, speaks of the indivisibility of two sets of rights: civil and political on the one hand, economic and social on the other. Yet some legal theorists continue to treat economic and social rights as a second-class category. South Africa's constitution could become the most humane in the world by doing away with this kind of anomaly. Job security, a reliable and unpolluted supply of water, an environment cleaned up at the expense of those who profit from dirtying it — these are not just desirable goals, they are fundamental rights and should be constitutional ones.

The new court must deny that political freedom can exist surrounded by economic misery, and it must insist that the right to speech is muted without a right to education. As they draw up a permanent constitution over the next few years, South Africans of different races could well improve on older, flawed constitutions and create a more perfect union than the world has yet seen.

Kader Asmal, a constitutional lawyer, is South Africa's minister of water affairs and forestry. Ronald Roberts is working in Johannesburg for the New York Center for Economic and Social Rights. They contributed this to The New York Times.

## IQ Worship: Gimmicky, And Wrong

By Brent Staples

**NEW YORK** — Everyone knows the stereotype of the fair-haired executive who owes the office with the view and the six-figure salary to an accident of birth — like relatives in the halls of power. What about merit, for heaven's sake? Why not give IQ tests grant the best jobs to those who score well and send the laggards to the mailroom?

That would never happen, nor should it. IQ scores in themselves tell you almost nothing. This was clearly explained by Alfred Binet, the Frenchman who invented the first usable IQ test in 1905.

The test had one purpose: to help identify learning-disabled children who needed special schools. Mr. Binet warned that a "brutal pessimism" would follow if his test was ever mistaken as a measure of a fixed intelligence.

You wouldn't know it from the IQ worship in progress today, but using the tests to draw finer distinctions than Mr. Binet intended amounts to overreaching, if not scientific fraud. Most scientists concede that they do not really know what "intelligence" is. Whatever it might be, paper and pencil tests are not the tenth of it.

The fair-haired executive gets a pass for other reasons entirely. First, because the world works more on insiderism and inherited privilege than on "pure merit," whatever that might be.

Second, because the charge of innate stupidity has historically been reserved for the poor. That charge surfaced during the immigrant influx to the United States early in the century, and again during the affirmative-action '60s and '70s — both times when America found "scientific" justifications of poverty appealing. Misgivings about the "underclass" have made them appealing again.

Mr. Binet's American imitators embraced "brutal pessimism" right away. In 1912, after Eastern and Southern Europeans began to outnumber Northern Europeans at Ellis Island, immigration authorities asked the psychologist Henry Goddard to do "quality control," through testing. Mr. Goddard and his colleagues believed that Nordic peoples were civilization's best and that the rest were genetically second-rate.

Not surprisingly, Mr. Goddard's testing of what he called a representative sample of immigrants showed that 80 percent of all Jews, Italians and Hungarians were "feeble-minded." As a result, hundreds each year were deported. At the start of World War I, 2 million draftees were tested. The results showed a gap between blacks and whites, but at the time, few were interested. The passion was proving a connection between "mental deficiency" and national origin among white immigrants. British immigrants were classified as first-rate, with Poles, Italians and Russians labeled undesirable. The data were published by the National Academy of Sciences in 1921, and contributed to the introduction of temporary limits on immigration. IQ hysteria also resulted in sterilization laws enforced only against the poor.

The IQ believers worked with zeal. Like many before him, the British psychologist Sir Cyril Burt went way beyond science in defense of his beliefs. He alleged that intelligence was so wired into the genes, so indifferent to environment, that identical twins reared apart had virtually identical IQ scores. Statisticians now agree that Sir Cyril made much of it up.

The IQ worshippers of today remain essentially unchanged from Mr. Goddard's time. Despite the impression that there is something new in "The Bell Curve," its authors, Charles Murray and Richard Herrnstein, have merely reassured the long-unproven claim that IQ is mainly inherited.

The language is calmer, the statistical gimmicks slicker, but the truth remains the same: There exists no plausible data to make the case. Belief to the contrary rests mainly on brutal preconceptions about poverty, but also on a basic confusion between pseudoscience and the real thing.

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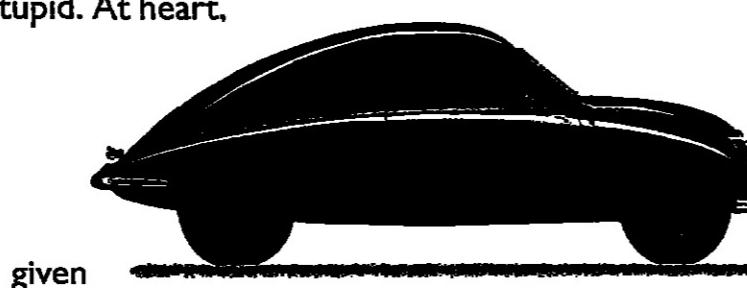
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## 4 Die in Another Baghdad Blast

Reuters

**BAGHDAD** — A bomb in a baby food container killed three policemen and a church official outside a Catholic church in Baghdad on Sunday as police were trying to defuse the device, the Iraqi press agency INA said.

Three passers-by were wounded in the blast, which occurred during morning prayers and left nearby streets littered with glass and stained with blood.

It was the second bomb blast in the Iraqi capital this month. On Oct. 19, a bomb exploded in a prayer room at Iraq's Ministry of Religious Affairs, killing a senior official and seriously wounding five people.

In the incident on Sunday, a church deacon saw a suspicious object in a nylon bag inside the church, INA said. He quickly took it outside to the church gate and called the police.

But when the police arrived the bomb, inside a three-kilogram can of baby food, blew up and killed a bomb disposal expert, a police officer, his assistant and the deacon.

"We heard the explosion, then security men came and sealed off the church," a local resident said.

No one took responsibility for the blast. The Baghdad bomb blasts this month have come after heightened tension on the Iraq-Kuwait border as the result of a buildup of Iraqi forces near the emirate.

### Allies Plan Air Maneuvers

More than 100 allied combat aircraft will stage maneuvers over Kuwait and southern Iraq on Tuesday to show Saddam Hussein that the U.S.-led coalition will protect Kuwait, The Associated Press reported Sunday, quoting the U.S. Embassy.

The exercises will include U.S. Air Force B-1 and B-52 bombers, flying from U.S. bases, dropping live bombs on a Kuwaiti desert range near the Iraqi border.

The statement termed the exercises as "coordinated flying activity" in airspace over Kuwait and in the "no-fly zone" of southern Iraq below the 32d parallel.

The air exclusion zone was imposed in August 1992 to help protect Shiite Muslim rebels from Mr. Saddam's forces. As far as is known, live ordnance will not be used over southern Iraq.

## MIDEAST: Israel Easing Blockade

### ADAMS: Compromise Bid

Continued from Page 1

cerned about the consequences of putting too much pressure on Mr. Arafat, yielded in Casablanca, announcing that the blockade would "gradually be lifted," starting on Tuesday.

But the situation seemed unlikely to return to normal anytime soon.

Last week, the Israeli government decided to deepen the separation between Israelis and Palestinians by importing 19,000 additional foreign workers for construction and farm jobs now filled by West Bank and Gaza Strip Arabs. So even if the present restrictions are dropped, far fewer Palestinians will eventually be allowed into Israel for work.

Although he has questioned the effectiveness of such closings as an anti-terror measure and not merely as a public-relations device to calm a nervous public, Mr. Rabin warned Sunday that he would take similar measures if Palestinian attacks on Israelis continue.

"We will feel free to take whatever step to insure the security of Israel's residents," he said, "even knowing that it will pose a hardship for the Palestinian and a hardship for the Palestinian Authority." The Authority, headed by Mr. Arafat, administers self-rule in Gaza and Jericho.

It was evident, though, that Israel worries about the slow pace of negotiations with the PLO. Mr. Arafat and Mr. Ra-

bin agreed to meet again next Nov. 7 to speed up their talks on Palestinian elections and on giving Palestinians responsibility throughout the West Bank for welfare, health, taxation and tourism.

To show they are not completely stalled, the two sides announced their agreement on stationing Palestinian officers at border crossings.

Their presence there is a triumph for Mr. Arafat because it gives him some trappings of sovereignty even though true authority remains with Israeli forces.

When they take their positions, probably on Monday at Rafah and Tuesday at the bridge, Palestinian officers will have jurisdiction mainly over Palestinians going to Gaza and Jericho.

### End Boycott, U.S. Urges

Secretary of State Warren M. Christopher urged Arab countries to apply economic reforms and lift the boycott of Israel in a speech at the opening Sunday of an economic conference, Agence France-Presse reported from Casablanca.

"The last remnants of the boycott aimed against Israel must be eliminated," Mr. Christopher said.

He also urged Arab countries to undertake "serious economic reforms and trade restrictions and lift the heavy hand of government regulation that stifles entrepreneurs."

Continued from Page 1

the North with the 26 in the Republic has always been the IRA's chief article of faith. In recent years, Mr. Adams and other Sinn Fein officials have said they were flexible on the timing, admitting that a united Ireland could take 10 or 15 years to evolve. In an interview in early September, Mr. Adams said he expected to see a united Ireland "in my lifetime."

But neither he nor other Sinn Fein leaders have raised this possibility, emphasizing their flexibility, since Prime Minister John Major of Britain said Oct. 21 that Britain would probably begin exploratory talks with Sinn Fein before the end of the year. Sinn Fein wants to start the talks immediately, and one of its officials said Saturday that he expected them to begin within three weeks.

Mr. Adams's remarks seemed designed to reassure Protestant leaders who want the North to remain a British province, and to put pressure on the British government to begin formal talks with Sinn Fein. But he declined to say he would press the IRA to disarm before the talks with Britain start.

He said that the British security forces and Protestant paramilitary groups were heavily armed and that unilateral IRA disarmament could not be a precondition for negotiations.



A security official discussing the shooting Sunday in front of a pockmark left by a bullet.

## EUROPE: EU Expansion Strains Paris-Bonn Axis

Continued from Page 1

attention toward security risks posed in the Mediterranean by Islamic radicalism, economic chaos and mass migration.

The European Commission has proposed an economic and security pact that would more than double European aid to North Africa by dispensing over the next five years. The plan calls for the creation of the world's largest free-trade zone by 2010, linking as many as 40 countries and 800 million people.

The plan is scheduled for debate at a summit meeting of European leaders in Essen, Germany, in December. But the Germans have been lukewarm toward the pact, particularly because they would be asked to foot a large share of the bill at a time when they want to concentrate resources on the east.

German diplomats contend that the eastern states deserve priority because the continent needs a new security structure to prevent any further east-west divisions. The eastern states also have cultural and historical affinities along with more adaptable economies.

In contrast, senior French officials say that coping with Islamic radicalism should be considered the West's gravest security priority. They believe the German view offers troubling evidence that the special relationship between Paris and Bonn, which served for four decades as the motor in driving progress toward European unity, is changing inexorably under the pressure of competing national interests.

## Weapon Used in Assault Has Been Banned by U.S.

New York Times Service

NEW YORK — The Chinese rifle that Secret Service agents said was used to spray bullets at the White House has been illegal to import into the United States since May, federal officials said.

Statistics from the Bureau of Alcohol, Tobacco and Firearms account for arms show that the SNS semi-automatic rifle accounted for most of the 950,000 Chinese rifles imported into the United States in 1993. It was also the fourth most frequently traced gun by the bureau, which traces guns seized in criminal investigations.

While the standard model of the SNS is not classified as an assault weapon and was not one of the 19 weapons banned in the crime bill passed in August, its importation was banned by President Bill Clinton as a condition of the most-favored nation status granted China earlier this year.

If the weapon used on Saturday had been modified to contain more than 10 rounds, it would be outlawed by the crime bill.

Jack Killorin, a spokesman for the Bureau of Alcohol, Tobacco and Firearms, said that the rifle, as manufactured, resembles the American-made Garand M-1 rifle used in World War II and the Korean War. The rifle was originally manufactured for the Soviet armed forces during World War II and was adopted by the Chinese in 1956.

## GUNMAN: Ex-Convict Charged

Continued from Page 1

On Saturday, two shooters on Pennsylvania Avenue seized Mr. Duran as he paused, apparently to reload, and held him until White House security agents swarmed over the fence to make the arrest.

The shooting came six weeks after a similarly startling assault on the president's home. On Sept. 12, a distraught Maryland truck driver stole a small plane and crashed it at the White House. The man died in the crash.

According to federal officials, one day later, Sept. 13, Mr. Duran purchased the SNS rifle near his home in Colorado Springs, Colorado. That same day, in Washington, Mr. Clinton signed anti-crime legislation banning the sale of 19 types of assault weapons.

Mr. Duran, who worked as an upholsterer, was not talking to investigators Sunday and was being held in a city jail, the Secret Service said. He is to be arraigned Monday on federal charges of willfully damaging federal property and possessing a firearm as a convicted felon. If convicted of these charges, Mr. Duran would face a maximum of 10 years in prison on each charge.

According to the White House and news agency reports, Mr. Duran served in the army until he was given a dishonorable discharge after being convicted of aggravated assault with a vehicle and drunk and disorderly conduct in 1991.

He served at a 2½-year prison term at a federal facility in Kansas. Accounts from Colorado said Mr. Duran's wife reported to local police on Oct. 1 that her husband was missing. The day before he had left home saying he needed to buy supplies for target practice.

Mr. Clinton's aides said Sunday that a current review of Secret Service procedures would be expanded. The review was launched last month after the plane incident. A final report is due in January from the Treasury Department, which oversees the Secret Service.

According to Norman Ornstein, a political analyst with the American Enterprise Institute in Washington, the incident is not likely to have any broad impact on the public's opinion of Mr. Clinton.

"This is not the same thing as the awful assassination attempt on Ronald Reagan," Mr. Ornstein said on CNN.

However, the debate in congressional elections could be affected, he said.

## POPE: Cardinals Named

Continued from Page 1

ministries." Two of the new appointments are from the United States — William Henry Keeler, the archbishop of Baltimore, and Adam Joseph Maida, the archbishop of Detroit. Four are Italians.

Others seemed designed to send a particular political message. Two of them — Monsignor Paul Joseph Pham Din Tung from Hanoi and Monsignor Jaime Lucas Ortega y Alamillo from Cuba — reflected the Pope's support for Christians living under Communist rule.

Several appointments were made in former Communist countries in Eastern Europe. The elevation of the relatively youthful Archbishop of Sarajevo, Monsignor Vinko Puljic, 49, to the rank of cardinal seemed designed to show the Pope's continued quest for a Balkan peace — and his support for Roman Catholics there — in the face of Serbian Orthodox opposition to his overtures.

The Pope was forced to cancel a planned trip to Sarajevo in September because Bosnian Serbs refused to guarantee his safety.

While the new appointments will further the process of internationalization of the church hierarchy begun by Pope Paul VI, the dominant presence among the cardinal electors will still be formed by 53 cardinals from Western and Eastern Europe.

In the Vatican's breakdown of the cardinal electors' background following the new appointments, 33 are from North and South America (two-thirds of them from Latin America), 15 from Africa, 14 from Asia and three from Oceania in the central and south Pacific.

The appointments, moreover, meant some countries — Albania, Bosnia, Belarus and Cuba under Fidel Castro — would have a cardinal to represent them for the first time.

The countries from which cardinals were appointed Sunday were: Lebanon, Czech Republic, Italy, Japan, Chile, Scotland, Mexico, Cuba, Indonesia, Belgium, France, Switzerland, Uganda, the United States, Canada, Peru, Spain, Bosnia, Madagascar, Vietnam, Ecuador, Belarus, Albania and Germany.

## AMERICAN TOPICS

### Cash Machines: Muggers' Targets

**Scenario:** You need money at 3 A.M. and drive to the automatic teller machine, 24-hour card in hand. Surprise: No cash available until 6 A.M.

Banks around the United States are curtailing cash machine hours, especially in cities, because of the risk of customers getting mugged at night.

A spate of 30 robberies at automated teller machines in Tampa, Florida, prompted Barnett Bank to close some ATMs as early as 7 P.M.

"If I really did need cash late at night, I'd keep driving till I found a machine," said Ray Healey, a Barnett customer. "If they closed all of them that would be a drag."

Another solution has been to put ATMs in high-traffic areas like grocery stores, pharmacies, fast-food restaurants, gas stations and convenience stores. Many of these places are open 24 hours a day.

### Short Takes

The district school board in Half Moon Bay, California, south of San Francisco, voted down a proposal by one of its members, Garrett Redmond, to abolish homework. Mr. Redmond argued that homework favors children who live near school and don't have to spend an hour on the school bus, and children whose families can afford a personal computer.

"He must have struck some sort of a nerve in America and around the world," said the board president, Ken Jones, who arrived at work to find 75 messages about homework on his fax machine.

Under the school board's decision, the superintendent will meet teachers and parents for a top-to-bottom review of homework and how classes are organized.

Of the 28 managers in major league baseball, eight are former catchers. Nine were infielders, and seven were outfielders. Given that there are four infielders and three outfielders to one catcher on the field, the ratio of catchers in managing jobs is remarkable.

And no wonder. "The catcher is the manager's representative on the field," says Dan Duquette, an executive with the Boston Red Sox. "The catcher is involved with every pitch, every pitcher, and he's the only player on the field who has the whole field in front of him."

### About People

Coretta Scott King says her husband's non-violent protests were inspired by another powerful, yet peaceful, leader — Mahatma Gandhi.

In accepting the Gandhi Universal Harmony Award at a dinner last week marking the 125th anniversary of Mr. Gandhi's birth, Mrs. King quoted writings from Martin Luther King Jr., that he "had discovered the method for social reform that I had been seeking" in Mr. Gandhi's nonviolent resistance to British rule in India.

International Herald Tribune

Cashing in better

## Q & A: APEC's Moves Toward Trade Liberalization

The eighteen members of APEC, the Asia Pacific Economic Cooperation forum, are to hold their annual meeting in Indonesia starting Nov. 8. Ali Alatas, the Indonesian foreign minister, discussed some of the major issues with Michael Richardson of the International Herald Tribune.

**Q.** Why are the meetings of APEC leaders and ministers in Indonesia important?

A: APEC is gathering momentum in its efforts to achieve its goals of continuing liberalization of trade and investments. This will ensure that the market-driven progress that has characterized economic development in the Asia-Pacific region will be further enhanced. We need to find practical ways of enmeshing the private business sector into APEC operation.

The meeting is also important because Indonesia, as the host, has suggested that apart from the routine

things we usually take up, we should focus on some new aspects of cooperation that are of vital interest to the developing economies. They include education, training, the transfer of skills and technology, ways of overcoming infrastructure bottlenecks, and how to increase the capabilities of small and medium enterprises. Such firms are the most important elements of any economy.

**Q.** Will the APEC leaders agree on a date for establishing free trade in the Asia-Pacific region?

A: A major topic for discussion will be how to move toward freer trade and more liberalized investments in the region, not toward a free trade area, but freer trade in the area. It may be feasible to determine certain end dates.

**Q.** Would any tariff cuts agreed by APEC be extended not just to members of the group but to all other countries? Or would they be offered on a reciprocal basis, at least to de-

veloped nations such as those in Europe?

A: These details should be subject to further thinking and discussion.

Q: Nonetheless, talk by APEC of reciprocity conjures up visions among some members of the European Union of a fortress Asia-Pacific. What is your response to those concerns?

A: I think the overwhelming view in APEC economics is that the operating principle of the group must remain open regionalism, and that we should not move toward anything that would even be a semblance of a closed shop or a closed trading bloc.

**Q.** The United Nations still does not recognize Indonesia's takeover of East Timor in 1976. Is Jakarta prepared to hold a referendum in East Timor under UN or international supervision to settle once and for all the self-determination question?

A: On that score, our position has been made very clear. We have said

there is no reason to hold a referendum in East Timor because in 1976 we implemented a plan that the Portuguese themselves were about to implement had they not abandoned the territory in a very irresponsible way.

We determined the wishes of the East Timorese through their traditional chiefs. Remember that there was a high degree of illiteracy in the territory then and a modern referendum would not have been feasible. We invited the UN and Portugal. But they did not come.

Holding a referendum now would

only result in again exacerbating feelings in East Timor. And why should we do it just because a small minority, the ex-Fretilin independence movement, wants it? Yet, they were the party in 1975 that did not want a proper and orderly self-determination process because they had the weapons from the Portuguese government and his assistants in East Timor.

**Q.** Indonesia is a frequent target for international human rights groups and sometimes foreign governments for alleged abuses of human rights in East Timor and elsewhere. How should such issues be handled?

A: A political campaign, very often using the banner of human rights, has been waged against Indonesia for many years. This is not to deny that we sometimes have human rights infringements. Which country does not? But we reject the allegation that it is a consistent pattern of violations perpetrated and condoned by the government. That is a malicious misrepresentation.

We continue to improve our performance in the field of human rights. We listen to the United States, Australia and other friendly governments when they have misgivings and concerns. We listen to them because that is the right way to do it... rather than shouting from the rooftops allegations which are not based on facts and will only make things worse by making people angry.

## 2 Former Presidents Staged a 'Military Rebellion,' Seoul Rules

By Andrew Pollack  
New York Times Service

SEOUL — After a long investigation, the South Korean government has announced that two former presidents had engaged in a "premeditated military rebellion" in 1979 that eventually led to their assuming power.

But the government said over

the weekend that it would not prosecute the two men, Chun Doo Hwan and Roh Tae Woo, saying they had also made positive contributions to the country and that a trial would reopen old wounds and divide the nation.

The decision by the Seoul District Prosecutor's Office is an attempt to close the book on

a politically sensitive incident that might have delayed the introduction of democracy in South Korea by a decade.

But what is, in effect, a compromise decision to discredit Mr. Chun and Mr. Roh without punishing them might not satisfy those who say they suffered under the military rule imposed

by the two men, both former army generals.

The "Dec. 12 incident," as it is usually called, took place less than two months after the long-time dictator, Park Chung Hee, was assassinated by the head of South Korea's intelligence agency.

Mr. Chun, then a general, was in charge of investigating

the assassination. Assisted by Mr. Roh and other officers, he arrested the army chief of staff, Chung Seung Hwa, in a violent confrontation. Mr. Chun has long said that the arrest was necessary because there was evidence to link General Chung to the assassination.

But the prosecutor's office said Saturday that the arrest was a well-planned mutiny designed to prevent Mr. Chun from being demoted. The prosecutors stopped short of accusing Mr. Chun, Mr. Roh and 36 collaborators of treason, saying they did not topple the president or destroy the constitution.

After Mr. Park's assassination, South Korea experienced a political "spring" with hopes of democracy. But in May 1980, the army killed hundreds in suppressing an uprising in the southern city of Kwangju, and Mr. Chun installed himself as president in 1981. Mr. Roh was chosen to succeed him in 1987.

Under military rule, South Korea made a painful and sometimes violent transition to democracy. In December 1992, Kim Young Sam was elected the first president in decades without a military background. It was only after his election that the 1979 event, which Mr. Kim has called a "coup-like incident" could even be investigated.

Still, analysts said it was not surprising that Mr. Kim's administration did not to prosecute his two predecessors.

To help win the election, Mr. Kim had joined up with the ruling party of Mr. Roh.

Koreans appear divided between those who favored putting the two former presidents on trial and those who want to put the past behind.

"I think it's a good settlement," Yang Sung Chul, a professor of political science at Kyunghee University in Seoul, said of Saturday's decision.

"It's bad for Korean political leadership to open up old wounds."

The investigation began in July 1993 after a complaint from General Chung, the former army chief of staff, who was stripped of his position and imprisoned after his arrest in 1979 and is now seeking to clear his name.

General Chung said that he would appeal the prosecutor's decision. "I cannot understand why the prosecution did not indict" the men, "in spite of its decision that their act was tantamount to rebellion," he was quoted by the Korea Herald as saying. "They are felons who infringed upon the national constitution."

Two former presidents of South Korea, Chun Doo Hwan, left, and Roh Tae Woo, attending a recent funeral in Seoul.

**ALL THE TROUBLE IN THE WORLD:**  
The Lighter Side of Overpopulation, Famine, Ecological Disaster, Ethnic Hatred, Plague, and Poverty  
By P. J. O'Rourke. 340 pages. \$22. Atlantic Monthly Press.

Reviewed by Carolyn See

P. J. O'Rourke generates his humor by writing things that most of us only say — or think — in the privacy of our living rooms, bedrooms or on the phone to a wicked best friend. In this investigation of "the lighter side of overpopulation, famine, ecological disaster, ethnic hatred, plague, and poverty," he suggests, for instance, that the war in the former Yugoslavia is a matter of "the unspellables . . . shoot-

ing the unpronounceables." That provokes a snicker, if the reader is in a bad mood to start with.

Or, of the war in Somalia, O'Rourke opines that "there's one ugly thought that has occurred to almost everyone who's been to Somalia. I heard a Marine private in the Baïda convoy put it succinctly. He said, 'Somalis — give them better arms and training and seal the borders.'" Who of us hasn't thought that (but not always said it) while watching those uncounted thousands of victims, covered with flies, dying horribly on TV? Then we go out to the refrigerator, crack open a brewski and grab a handful of Cheetos, to ward off famine in our house.

O'Rourke is very funny in an easygoing, mean-spirited way. He'll certainly never be getting the Large Heart Award, but it

doesn't seem to matter to him because Rolling Stone has paid his way to go all over the world to write these pieces; he's traveling more or less first-class and he's having fun.

It's all grist to the mill with this guy. He flies down to Iquitos and hangs out with Amazon Indians who must have been hired by the Iquitos Chamber of Commerce:

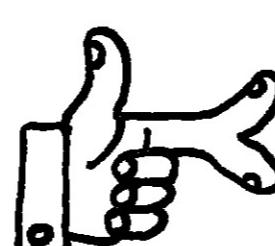
The Yagua were wearing skirts that looked like piles of leaves . . . vegetable dirdums. They had streaked their faces

### WHAT THEY'RE READING

• Bill Roedy, president of MTV Europe, is reading "Wages of Guilt" by Ian Buruma.

"What the book does is compare the reactions of Japan and Germany to their roles in World War II. It is fascinating to examine how two different cultures and peoples react."

(Erik Ijser, IHT)



### BRIDGE

By Alan Truscott  
NORTH-SOUTH have bid to four hearts in the disguised deal. West leads the spade jack, and East overtakes with the queen and cashes the ace. He then shifts to the club jack, and South takes the ace.

If South can deal with the heart queen, he may make 11 tricks. If he cannot, he may fail by two tricks. A tricky, but legal, move that is sometimes appropriate is to lead the heart jack, hoping that West will react by producing the queen or thinking about playing that card. If he does not, the ace is played and a finesse is taken against East. That will work only against a naive opponent: in general, a defender with the trump queen should never play it in such circumstances, or even think of doing so.

Other things being equal, the right play of the heart combination is to start with the ace and then finesse. But they are not equal here. A reasonable technical play, which would fail, is to cash the ace and king of hearts and try to run diamonds. If the trumps split 3-2, South has the chance of dropping the

queen doubleton, or disposing of the club losers on dummy's diamonds.

Much better is to draw an inference from the bidding and play. The play to the first trick virtually guarantees that East began with A-K-Q of spades, and he has produced the club jack. If he also held the heart queen, he would very probably have opened the bidding. So South should play West for the queen by leading the jack and finessing.

**NORTH**

♦ 63  
♦ A84  
♦ KQJ62  
♦ 874

**WEST**

♦ J1097  
♦ Q732  
♦ 104  
♦ KQ5

**EAST (D)**

♦ A K Q 8  
♦ 6  
♦ 9875  
♦ J 10 9 6

**SOUTH**

♦ 543  
♦ K J 10 8 5  
♦ A 3  
♦ A 3 2

Both sides are vulnerable. The bidding:  
East: South: West: North:  
Pass: 1 ♦ Pass: 2 ♦  
Pass: 2 ♦ Pass: 4 ♦  
Pass: Pass: Pass

West led the spade jack.

that even as he accuses Al Gore of being an incorrigible bore about ecology he comes perilously close to being a bore himself as he argues that there are no ecological problems to speak of. Every once in a while he'll drown in facts or quotes for a dozen pages or so. His mind is weird, off in the barren steppes, so far to the right that if the political world were round, he might find himself in unmarked tundra belonging to the left.

The book is fun and the guy is smart.

But let me speak up for poor sports: If you were shot in the gut by an "unspellable," wouldn't it still hurt? Do you (like Somalis) deserve to die if you have a bad personality? If so, there goes my stepfather.

This is a book guys can read without embarrassment on airplanes — no sex, no violence, plenty of facts, cheap shots and quite good writing. Buy it for your dad.

Carolyn See reviews books regularly for The Washington Post.

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|----------------|-----|-----|-------|--------|-----|-------|------------------|-----|-----|-------|------|-----|-------|-------------------|-----|-----|-------|------|-----|-------|
| Abbey Tsv Dc   | 84  | 84  | 97    | 7.16   | +24 |       | Hico Fin Feo     | 416 | 84  | 92    | 7.43 | +15 |       | Lo Sch Lax Feto   | 10  | 84  | 98    | 7.42 | +24 |       |
| Abbey Tsv Dc   | 70  | 70  | 97    | 7.16   | +24 |       | Prod Fund Oct 90 | 96  | 84  | 92    | 7.43 | +15 |       | Lech El M         | 84  | 84  | 98    | 7.42 | +24 |       |
| Abbey Tsv Feb  | 70  | 70  | 97    | 7.16   | +24 |       | Pok Aup          | 84  | 84  | 92    | 7.43 | +15 |       | Cat Fencer Aug 94 | 84  | 84  | 98    | 7.42 | +24 |       |
| Albert Pro Feb | 74  | 74  | 97    | 7.16   | +24 |       | Asfeng Ju        | 198 | 84  | 92    | 7.43 | +15 |       | Leeds Soc Dc      | 72  | 84  | 98    | 7.42 | +24 |       |
| Albert Pro Feb | 74  | 74  | 97    | 7.16   | +24 |       | B T Pk Mr        | 104 | 84  | 92    | 7.43 | +15 |       | Leeds Soc Dc      | 72  | 84  | 98    | 7.42 | +24 |       |
| Astfinc Mr     | 74  | 74  | 97    | 7.16   | +24 |       | Goschvdro Jun    | 114 | 84  | 92    | 7.43 | +15 |       | Leeds Soc Dc      | 72  | 84  | 98    | 7.42 | +24 |       |
| Aust Chr Bl 9  | 77  | 77  | 97    | 7.16   | +24 |       | Goschvdro Oct    | 114 | 84  | 92    | 7.43 | +15 |       | Leeds Soc Dc      | 72  | 84  | 98    | 7.42 | +24 |       |
| Austria Mr     | 74  | 74  | 97    | 7.16   | +24 |       | Goschvdro Nov    | 114 | 84  | 92    | 7.43 | +15 |       | Leeds Soc Dc      | 72  | 84  | 98    | 7.42 | +24 |       |
| Bob Df 5 Sep   | 74  | 74  | 97    | 7.16   | +24 |       | Goschvdro Dec    | 114 | 84  | 92    | 7.43 | +15 |       | Leeds Soc Dc      | 72  | 84  | 98    | 7.42 | +24 |       |
| Boy Land Aus   | 74  | 74  | 97    | 7.16   | +24 |       | Ibd              | 84  | 84  | 92    | 7.43 | +15 |       | Leeds Soc Dc      | 72  | 84  | 98    | 7.42 | +24 |       |
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| Boyer Ver Dc   | 74  | 74  | 97    | 7.16   | +24 |       | Ibd              | 84  | 84  | 92    | 7.43 | +15 |       | Leeds Soc Dc      | 72  | 84  | 98    | 7.42 | +24 |       |
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| Bell Can Am    | 78  | 78  | 97    | 7.16   | +24 |       | Ibd              | 84  | 84  | 92    | 7.43 | +15 |       | Leeds Soc Dc      | 72  | 84  | 98    | 7.42 | +24 |       |
| Bell Can Am    | 78  | 78  | 97    | 7.16   | +24 |       | Ibd              | 84  | 84  | 92    | 7.43 | +15 |       | Leeds Soc Dc      | 72  | 84  | 98    | 7.42 | +24 |       |
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| Bell Can Am    | 78  | 78  | 97    | 7.16</ |     |       |                  |     |     |       |      |     |       |                   |     |     |       |      |     |       |





## New International Bond Issues

Compiled by Paul Flores

| Issuer  | Amount<br>(millions) | Mat.<br>2001 | Coup.<br>% | Price<br>and<br>week | Terms   |
|---|----------------------|--------------|------------|----------------------|---|
| <b>Floating Rate Notes</b>                    |                      |              |            |                      |   |
| Citic Pacific Finance                         | \$200                | 1997         | 1/2        | 99.905               | — Over 6-month Libor. Noncallable. Fees 0.30%. Denominations \$50,000. [HSBC Capital Markets.]  |
| Compagnie Financière de CIC                   | \$100                | 2001         | 3/16       | 100                  | — Over 3-month Libor. Redemnitable at par in 1999. Fungible with outstanding issue, raising total amount to \$250 million. Fees 0.25%. Denominations \$10,000. [Santander Int'l.]                           |
| Manhattan Card Co.                            | \$200                | 2000         | 1/4        | 100                  | — Over 1-month Libor. Average life 49 years. Fees not disclosed. [Crusoe Securities.]   |
| Rheinische Hypotheken Bank                    | DM 500               | 2004         | Libor      | 100.06               | — Interest will be the 3-month Libor. Noncallable. Fees 0.20%. [DG Bank.]   |
| J-Cars Corp.                                  | Y15,000              | 1998         | 0.20       | 100                  | — Over 1-month Libor. Noncallable. Fees 0.40%. [Goldman Sachs Int'l.]   |
| <b>Fixed-Coupons</b>                          |                      |              |            |                      |   |
| Électricité de France                         | \$200                | 1996         | 7          | 100.75               | 100.19 Reoffered at 99.76. Noncallable. Fees 1.16%. [Paribas Capital Markets.]  |
| Johnson & Johnson                             | \$200                | 1997         | 7%         | 101.02               | 101.14 Reoffered at 99.865. Noncallable. Fees 1.16%. [Morgan Stanley Int'l.]  |
| Johnson & Johnson                             | \$200                | 2004         | 8/4        | 100.84               | 100.32 Reoffered at 99.166. Noncallable. Fees 2%. [Morgan Stanley Int'l.]   |
| Morgan Guaranty Trust                         | \$100                | 1996         | 7          | 100.95               | 100.70 Reoffered at 99.95. Noncallable. Fungible with outstanding issue, raising total amount to \$300 million. Fees 1.16%. [J.P. Morgan.]  |
| Robobank Nederland                            | \$250                | 1998         | 7/8        | 101.45               | — Reoffered at 100.05. Noncallable. Fees 1.16%. [Swiss Bank Corp.]  |
| Société Nationale des Chemins de Fer Français | \$200                | 1998         | 7/8        | 100.97               | 100.19 Reoffered at 99.57. Noncallable. Fees 1.16%. [Paribas Capital Markets.]  |
| Swedish Export Credit                         | \$150                | 1996         | 7          | 101.03               | 101.57 Reoffered at 99.81. Noncallable. Fees 1.16%. [SEB Int'l.]  |
| Swedish Export Credit                         | \$100                | 1996         | Zero       | 87.83                | — Reoffered at 87.31. Yield 7.021%. Noncallable. Proceeds \$7.3 million. Fees not disclosed. [Swedbank Europe.]   |
| Trans-Tokyo Bay Highway                       | \$200                | 2004         | 8/8        | 99.62                | 99.38 Noncallable. Fees 0.322%. [Bank of Tokyo Capital Markets]   |
| D&L Finance                                   | DM 300               | 1998         | 7/8        | 101.425              | — Reoffered at 99.90. Noncallable. Fees 1.16%. [CSFB, Effectenbank.]  |
| Export Development Corp.                      | DM 200               | 1998         | 7          | 101.87               | — Noncallable. Fees 1.16%. [Merrill Lynch.]   |
| J.P. Morgan & Co.                             | DM 250               | 1998         | 7/8        | 102.05               | — Reoffered at 100%. Noncallable. Fees 2.15%. [J.P. Morgan.]  |
| Austria                                       | fl. 200,000          | 1997         | 11         | 101.315              | 100.10 Noncallable. Fees 1.16%. [Deutsche Bank.]  |
| Bayerische Vereinsbank                        | fl. 150,000          | 1996         | 11         | 101                  | 100.40 Noncallable. Fees 1.16%. [Credito Italiano.]   |
| Norddeutsche Landesbank                       | fl. 150,000          | 1996         | 11         | 100.975              | — Noncallable. Fees 1.16%. [Banca Nazionale del Lavoro.]  |
| Robobank Nederland                            | fl. 150,000          | 1997         | 11.05      | 101.23               | — Noncallable. Fees 1.16%. [Banca Commerciale Italiana.]  |
| Dresdner Int'l Finance                        | fl. 250              | 1999         | 7/8        | 101.425              | 99.90 Reoffered at 99.90. Noncallable. Fees 1.16%. [Abit-Ambro Bank.]   |
| DSL Finance                                   | ECU 100              | 1999         | 8%         | 101.443              | 99.94 Reoffered at 99.818. Noncallable. Fees 1.16%. [Barclays de Zoete Wedd.]   |
| European Investment Bank                      | CS 165               | 2001         | 9          | 101.345              | — Reoffered at 99.77. Noncallable. Fees 1.16%. [Wood Grundy.]   |
| General Electric Capital Corp.                | CS 125               | 1999         | 8/4        | 101.602              | — Reoffered at 99.977. Noncallable. Fees 1.16%. [StoneMcLeod.]  |
| Bayerische Hypotheken Und Wechselbank         | Aus\$ 75             | 1997         | 9/4        | 101.15               | — Noncallable. Fees 1.16%. [Hambros Bank.]  |
| Bayerische Vereinsbank                        | Aus\$ 100            | 1999         | 10         | 100.97               | — Noncallable. Fees 2%. [Hambros Bank.]   |
| New South Wales Treasury Corp.                | Aus\$ 100            | 1997         | 4/2        | 88.961               | — Semiannually. Noncallable. Fees 1.16%. Denominations Aus\$10,000. [Natwest Int'l.]  |
| Queensland Treasury Corp.                     | Aus\$ 250            | 1996         | 8%         | 99.766               | 99.70 Semiannually. Noncallable. Fees not disclosed. [Merrill Lynch Int'l.]   |
| Landsbank Rheinland-Pfalz                     | Y15,000              | 1997         | Zero       | 89.45                | — Yield 9.709%. Noncallable. Proceeds 13.4 billion yen. Fees not disclosed. [NatWest Int'l.]  |
| <b>Equity-Linked</b>                          |                      |              |            |                      |   |
| Hutchinson Delta Finance                      | \$250                | 2001         | 7          | 100                  | — Semiannually. Noncallable. Mandatorily convertible into company's shares upon first anniversary of initial public offering. Terms to be set at a later date. Denominations \$10,000. [Peregrine Capital.] |
| Samsonic Overseas Financing Co.               | \$100                | 2004         | open       | 100                  | — Coupon indicated at 6% to 7%. Callable at par in 1998. Convertible at 10.22% premium. Fees 2.5%. [Swiss Bank Corp.]   |

## Debunking a Fear for Mutuals

By Leslie Eaton  
*New York Times Service*

NEW YORK — There are ghouls and ghoules and things that go bump in the night. And then there is the most frightening specter of them all (at least on Wall Street): the Mutual Fund Death Spiral.

This is the fear that a decline in the stock market will cause investors to bail out of equity mutual funds.

That would force fund managers to sell stocks, driving prices down. That would spook more fund investors into fleeing into money markets, forcing fund managers to sell more stocks, driving prices down still more, spooking more fund investors and — well, you get the picture.

The companies that sell funds argue that such fears are overblown and that fund investors are in for the long haul. Now these would-be ghost-busters have some new ammunition in the form of a statistical study done by Zhen Goy.

Looking at data from 1987 through mid-1994, the CS First Boston economist found that mutual fund flows do not cause changes in the market.

True, the market has been rising since 1987, and so have sales of mutual funds. But statistically, Ms. Goy could not find a cause-and-effect relationship. "It's not that mutual fund flows have no consequence," she said. "But they are not the most important thing. It's a very minor effect."

The Death Spiral is haunting the Street this Halloween season because investors seem finally to have cooled a bit on stock funds. Money is still flowing in, to be sure, but at a slower pace.

In September, the most recent month for which complete data are available, Americans put \$1.1 billion into stock funds, a huge sum but still less than the record \$14.1 billion they invested in August, according to the Investment Company Institute, the mutual fund industry's trade and lobbying association.

A lot of that money is not even going into the domestic stock market. Last month, 35 percent of the inflows went to funds specializing in foreign securities; in August, it was closer to 40 percent. Furthermore, many funds categorized

as domestic stock funds increasingly hold big chunks of foreign stocks.

This month, investors cooled still further on stock funds, according to figures compiled by AMG Data Services of Arcata, California.

Investors put an average of \$1.4 billion a week into the stock funds AMG tracks, down sharply from an average of \$2.1 billion a week in August.

The sharpest cutbacks appeared in the more aggressive U.S. stock funds: investors actually took money out of aggressive growth funds in the week that ended Oct. 26.

Investors may have been reacting to lackluster market performance — but maybe not. Ms. Goy found that not only do fund investors not cause stock market changes, they also do not react much to the market after it moves.

In fact, investors put about the same amount of money into funds no matter how the market is doing. The reason, she said, is that most households are saving for long-term goals and do not generally play the market with mutual funds.

Admittedly, fund investors do take money out if the stock market is falling, or if they suspect it may soon do so. Even so, Ms. Goy noted, "We had huge redemptions in 1988, yet the market went up 15 percent that year."

At first blush, the findings seem to fly in the face of the laws of supply and demand, which many people assume to mean that if demand for stocks plummets because people stop investing in mutual funds, stock prices should fall, too.

If nothing else changes, that may be true, but so many other factors are involved, Ms. Goy noted. "Even so, Ms. Goy noted, "We had huge redemptions in 1988, yet the market went up 15 percent that year."

At first blush, the findings seem to fly in the face of the laws of supply and demand, which many people assume to mean that if demand for stocks plummets because people stop investing in mutual funds, stock prices should fall, too.

But Charles Biderman, editor of the newsletter Liquidity Taxis, says that fund flows are very significant. "In every market there's a different key component to liquidity, and funds are probably key in this market," he said. "If there's an outflow from stock funds, it would be very important regardless of anything else that is going on; psychologically, fund flows are underlyng everybody's bullishness."

## Tehran Attacks Inflation

Reuters

TEHRAN — In its battle against steep price rises for consumer goods, Iran says it will use punishments up to the death penalty to control profiteering and hoarding.

Tehran Radio reported over the weekend that more than 1,000 state courts were ready to handle violators of the new policy.

"There is no reason for people to worry about any shortage of the announced goods," it said. "The government has increased the supply of the necessary goods. Rial and hard currency credits have been provided for to enhance domestic production or to import."

## China Faces Rise In Grain Imports

Compiled by Our Staff From Dispatches

BEIJING — China will be forced to import nearly 50 million tons of grain a year by the year 2000 to keep pace with rising demand, the Beijing Agricultural University predicted.

A university report published Sunday said China's annual demand for grain will reach 547 million tons, while output will hit only about 500 million tons.

That means 47 million tons will have to be imported, the official Business Weekly said, quoting experts at the university.

The report was based on a conservative annual growth estimate of 7.5 percent over the next six years. (AP, AFP)

## The Week Ahead: World Economic Calendar, Oct. 31 - Nov. 4

A schedule of this week's economic and financial events, compiled for the International Herald Tribune by Bloomberg Business News.

### Asia-Pacific

- Oct. 31 Cambodia King Sihanouk birthday holiday.
- Taiwan October housing starts and construction orders.
- Taiwan Chung Kuan-shik's birthday holiday.
- Nov. 1 Cambodia September balance of trade.
- Taiwan October new vehicle sales and export earnings.
- Japan August gross domestic product.
- China Copenhagen July and August current accounts.
- China September balance of trade.
- India Diwali holiday.
- Japan Culture Day holiday.
- Malaysia Deepavali holiday.
- Singapore September un-employment.

### Europe

- Oct. 31 Paris Markets closed for holiday.
- Italy Italian banking sector strikes scheduled.
- Spain Any time this week.
- France September hourly earnings; trade balance, excluding trade with Mexico.
- UK London September housing starts.

Union: balance of payments and official reserves. October official CPI.

Switzerland October CPI.

Frankfurt: September industrial production, imports and exports.

Brussels: October unemployment rate.

Australia: September CPI.

Paris: August gross domestic product.

Caracas: Financial markets closed for All Hallows' Eve.

Europe: Markets in Belgium, France, Italy, Spain and Portugal closed for All Hallows' Eve.

Taiwan: October new vehicle sales.

China: September balance of trade.

Malta: August gross domestic product.

Finland: Financial markets and government offices closed for All Souls' Day.

Mexico: Financial markets and federal offices closed for Day of the Dead.

Malta: August gross domestic product.

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## Rate Swap Suits: The Plot Thickens

By Floyd Norris  
*New York Times Service*

**NEW YORK** — The wonderful world of interest rate swaps has largely been hidden from public view. Now, as some big losers in the game cry foul and sue, more is coming to light.

Last week, Procter & Gamble became the second Cincinnati company to sue Bankers Trust. Like Gibson Greeting Cards a few weeks earlier, P&G sees itself as a swindled innocent that relied on the advice of a slick New York hustler and lost millions.

Bankers Trust, in its response to the Gibson suit, paints a far different picture. It was no trusted adviser, it says, just a trader.

In a simple interest rate swap, a company paying a fixed rate on a bond issue agrees to instead pay a floating rate.

That was what happened to P&G and Gibson, but in their cases they agreed to complex formulas that meant the rates they paid could soar. Under P&G's main formula, the company stood to save a little if rates fell or rose just a bit, but to lose big if rates jumped. Given what actually happened to rates, it could have been forced to pay over 30 percent a year.

The company says Bankers Trust promised it could get out before that happened, under a complicated option that Bankers Trust did not explain.

Bankers Trust says there was no option deal at all, just a promise to quote a price.

## NASDAQ NATIONAL MARKET

Consolidated trading for week ended Friday, Oct. 28. (Continued)

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# Private Banking

## Channel Islands Increase Their Draw Even Banks from Offshore Rivals Set Up Shop in Jersey and Guernsey

By Erik Ipsen

**L**ONDON — In the most rarefied strata of the private banking world — where the accounts are hefty, the desire for secrecy high and the tax rates even higher — a major battle is quietly raging.

The established titans of that business, Switzerland, Luxembourg and tiny Liechtenstein, are under siege.

In Liechtenstein and Luxembourg, there is fear that taxes will rise. In Switzerland, there is that plus a suspicion that Swiss secrecy is not what it once was.

And nowhere is all this news being more joyously received than in the Channel Islands of Jersey and Guernsey.

In Guernsey as recently as 1986, there were no Swiss banks. Today there are 14, accounting for 40 percent of the assets of the island's 68 banks — assets that have quadrupled in the last half-dozen years. In Jersey, the number of banks now stands at 78 — roughly one for every 1,000 residents and a 10 percent increase in the past year.

"Customers are keen to do business here," said Peter Crook, superintendent of banks for the Jersey Financial Services Commission. For the banks, he lists the island's attractions as "cheaper costs and no EC red tape." For their customers, he concedes, "our taxes are an advantage."

Jersey and Guernsey impose a maximum tax of 20 percent, and only on residents. Nonresidents pay no taxes. At present, that puts them just even with the likes of Liechtenstein, Luxembourg and Switzerland — but only at present.

To the delight of its rivals, Luxembourg under pressure to join its fellow European Union members in imposing a withholding tax on various bank accounts.

German authorities from Chancellor Helmut Kohl on down have recently criticized Luxembourg for allowing Germans to cross the border to avoid paying taxes. Many bankers say that those criticisms alone have caused considerable sums of money to leave that country.

"If the European Community decided that Luxembourg was a big enough thorn in their flesh and forced them to levy withholding taxes, I do not think we would be able to cope with all the business we would get," said Charles Tracy, managing director of N.M. Rothschild & Sons (C.I.) Ltd. in Guernsey.

Both Switzerland and Liechtenstein, meanwhile, will collect a 6.5 percent value-added tax on fees charged by their banks beginning next year. Some Swiss bankers fear that even that small levy may sit poorly with some of their customers.

For Liechtenstein, the VAT provoked a near-crisis this autumn when it appeared the tax would be collected, as most taxes in Liechtenstein are, by Swiss authorities. That would have forced local banks to do something they were not at all happy about doing — show their client lists to Swiss tax officials. In the end the need to

preserve confidentiality carried the day, with Liechtenstein agreeing to collect its own VAT.

Liechtenstein faces other problems, however. In a country that recognizes trusts, Liechtenstein's five banks have long benefited from huge flows of business from Switzerland, where trusts are barred. Typically, private-banking clients went to their Swiss banks, which would do the paperwork to set up a trust and then turn the account over to a Liechtenstein bank.

"Now we don't have to," says a delighted senior Swiss banker, now that the banks have moved much of that business to their own branches in the Channel Islands.

Guernsey and Jersey also increasingly appeal to Swiss banks trying to cut costs. "Switzerland has the highest banking costs in the world," complains a senior manager in Guernsey for Crédit Suisse, now the largest bank on the island.

To make that cost case even more compelling, many of the Swiss and other foreign banks do much of the work of managing their private accounts in their offices in London. The business is booked in the Channel Islands only for purposes of tax and secrecy — although in the latter case, the preferred word in the Channel Islands is "confidentiality."

Of all aspects of private banking, secrecy — or confidentiality, as the industry calls it — remains one of the most important and perhaps the most controversial.

"The majority of the business on the islands does not depend on a neurotic obsession with secrecy," insists David Henshaw, chief executive of Kleinwort Benson's two Channel Islands banks.

Secrecy nonetheless remains important. Noting the recent move by many Swiss banks to the Channel Islands, Jochen Hadermann, managing director of Centrum Bank in Liechtenstein, attributes it in part to "recent changes in Swiss law."

Specifically, Swiss authorities now require their banks to know the beneficial owner of their accounts, a requirement that does not hold in either the Channel Islands or Liechtenstein.

These days, bankers universally insist that confidentiality has its limits, no matter what clients may choose to believe. Mr. Hadermann, for instance, says that although his bank is willing to accept blind accounts, the lawyers making those references have to be able to attest that, as he puts it, "It is not dirty money, that it is clean money and that it stays that way."

Other bankers point out that, if for example a major crime had been committed in a powerful country, chances are the authorities of that country will be able to force banks in any offshore financial center to divulge information on accounts connected with the crime, regardless of local laws on disclosure.

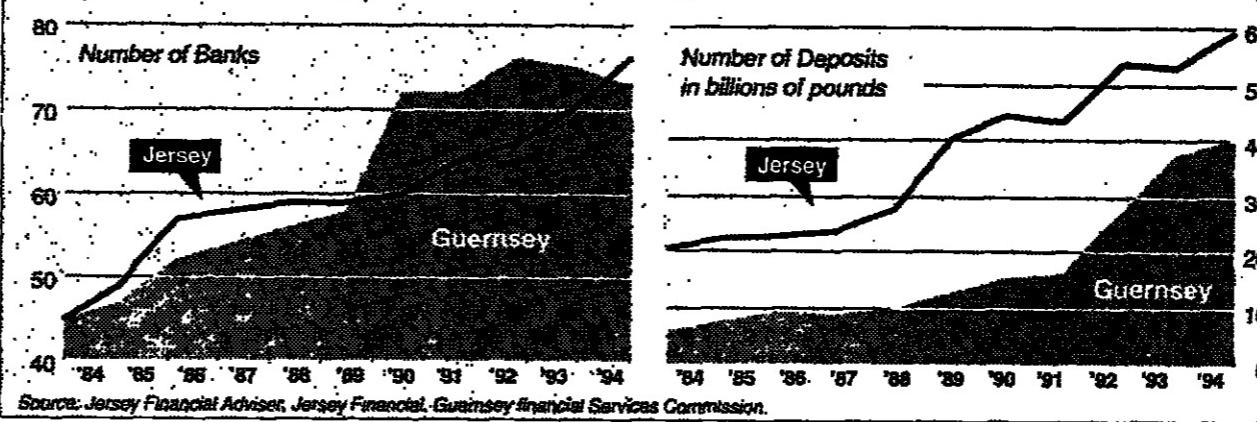
The key to preserving at least the all-important image of confidentiality is to



The town of Saint Peter Port, in Guernsey.

Patrick Frei/Sipa

### Growth in Channel Island Banking



Source: Jersey Financial Advisers, Jersey Financial, Guernsey Financial Services Commission.

International Herald Tribune

Dotor of the Jersey Financial Services Department.

What is more, most of the regulation of those banks is done in their home countries, an idea that has gained force since the 1991 collapse of BCCI amid massive fraud and other criminal activities.

As merely the host country regulator,

Mr. Vignell's responsibilities are far more limited. That may be just as well, given the fact that, as he says, the Jersey Financial Services Department has a staff of "three and a half people."

ERIK IPSEN is the London correspondent of the International Herald Tribune.

## Luxembourg Confounds Doomsayers

*Business Growing Despite Warnings Over Haven Status*

By Martin Baker

**L**UXEMBOURG — Success may have a thousand fathers, but in the international banking industry it also generates a fair number of detractors. A classic example of this syndrome is afforded by Luxembourg's history as a financial center and by some of the predictions about its future made by competitors in the private banking industry.

To judge by the figures alone, Luxembourg's growth as a financial center over the past decade has been remarkable. Statistics provided by the Association des Banques et Banquiers Luxembourg, the country's banking industry representative body, show the number of banks resident in Luxembourg roughly doubling between the end of 1983 and the end of last year, to 218 from 114. Assets under management in the country almost tripled over this period from \$592 trillion Luxembourg francs (\$214.24 billion) to 16.021 trillion francs.

The figures lumped together all types of banking assets — thus failing to provide a precise track of the growth of private banking. But the private banking sector itself appears to fit easily into an overall picture of success.

But there are those who say that the statistics represent only the most partial of truths. Those who favor other traditional private banking locations, such as the Channel Islands, Switzerland and the Bahamas, allude to the aggressive noises coming out of Germany, and in particular the oft-repeated statement by the German finance minister, Theo Weigel, of his intention to introduce withholding tax on bank deposits across Europe. This would hit Luxembourg directly, since a major part of its attraction to international in-

Continued on Page 16

## Promise and Peril Ahead for Hong Kong

By Kevin Murphy

**H**ONG KONG — Deepening pools of wealth have lured international private bankers to Asia in waves. But bankers and financial advisers say turbulent waters lie ahead as a market in flux adapts itself to local needs and increased competition.

"That Chinese and Western individuals of wealth out here want more private banking is indisputable," said Nick Bentley of the financial advisers Bentley Reid & Thomas (H.K.) Ltd. "There is an enormous need for such services."

"The problem is that the individual's perspective on what they need is totally different than what private banks provide," Mr. Bentley added, noting that many of Asia's fortunes had been made in as short a period as the past 10 to 15 years.

Long the crossroads of Asia, Hong Kong remains a resting place for highly mobile cash from elsewhere in the region. Economic success — or strife — in other Asian countries is often measured anecdotally, but accurately, by flows of capital to and from accounts managed in the British colony.

While some bankers see customers from the Philippines repatriating more money to take advantage of an economic boom there, others report a steady stream of wealth flowing out of China.

Entrepreneurs and politicians who have already profited from China's dramatic reforms appear eager to hedge against risk to their personal fortunes now that inflation in China has topped 27 percent annually.

Hong Kong, which is due to revert to Chinese control in 1997, is also registering an outflow of funds, according to one Swiss banker — who, typically, was unwilling to be quoted by name.

"When I first arrived here one year ago, people were quite bullish," the Swiss banker said. "But now I think this is going to be a private bankers' paradise. A lot of money here is eventually going somewhere else."

With more foreign banks chasing a high-net-worth clientele, Hong Kong has become increasingly a melting pot of in-

ternational approaches to private banking.

For every Swiss-style bank discreetly providing long-term relationships and cautious advice on fixed-term bank deposits and capital transfers, an American investment bank's private client department is offering risky derivatives to deep-pocketed punters who want to dabble in the latest instruments available in world financial markets.

"Many of our clients give us money just because they don't want to worry about it," said the Swiss banker. "We're expecting to safely generate 10 to 15 percent returns. They make the 20 to 50 or 100 percent return in their own businesses."

At their extremes, wealthy customers want impeccable investment advice from

friendly bankers of longstanding and low-risk, high-yield returns — all for minuscule fees.

Meanwhile, private banking operations at their worst seek only to develop a trusting, captive source of funds to be tapped for deals dreamed up by the merchant-banking and syndication arms of their parent companies.

"Some very important houses are not behaving responsibly in this market at all," said one senior executive of a European private bank with offices in Hong Kong, referring to a string of derivative investments gone badly wrong. "And many customers want higher returns than time deposit, but they don't want to take much risk."

In between are clients who want a little of both and banks trying to decide how far to move toward becoming a "one-stop shop" for all their clients' financial-management needs.

"In a European environment one tends to find that private-banking customers

seek much more substantial planning for all their investments," said Richard Harris, chief executive of Jardine Fleming Investment Services.

"In Asia, that's not the case. A lot of millionaires are recently created, and they are more likely to say 'This is a pool of money I want invested now,'" said Mr. Harris — whose firm, through its links with other units of Jardine Matheson Holdings Ltd. and its co-parent, the British investment bank Robert Fleming & Co., comes close to offering one-stop financial services shopping.

Jardine Fleming, which has had a low-profile private banking operation for about 20 years, has devised a "wealth management" system that it says can handle almost any financial, legal, property, insurance or accounting task, either on an in-house basis or by referral to long-established contacts at law firms.

"The things we do well, we work on; those with which we don't have expertise, we pass on to someone we trust," Mr. Harris said. "But while we deal primarily with family companies, there are no formal in-house arrangements. Otherwise one can be open to criticism about fees and rebates."

There is broad agreement in the industry that convenience and comprehensiveness in personal financial management and planning will become increasingly important to customers. But should any one group be trusted entirely with a person's assets?

"There is a dangerous trend developing in private banking in the Far East," said Nick Bentley. "Once banks develop the client base, some just flog new products at it. It's a risky move away from conventional investment; it's not the private banking clients think they understand."

Mr. Bentley, as a financial planner, naturally favors a role for intermediaries in the process, arguing that a split in roles between advisers and the sprawling banks is more likely to result in objectivity about a particular investment.

"Thirty to 40 percent of our business is now introduced from private banks themselves," said Mr. Bentley. "We've moved

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## Performance: Getting Easier to Judge

By Martin Baker

**T**HE management performance of a private banker has traditionally been one of the profession's best-kept secrets. The banking profession can and does provide a host of reasons for its failure to publicize its success (or otherwise) in managing its clients' money. Words such as "discretion" and "confidentiality" abound.

But the private banking industry is changing. The pressure of increased competition is beginning to force this niche of the financial industry to throw some light on investment performance.

Instrumental in the slow lifting of the veil has been investors' increasing use of financial advisers, says Anthony Yaggaroff, managing director of Allenbridge Group, a London-based performance monitoring firm. "In the last few years there has been huge growth among professional evaluators of those who manage money on a discretionary basis and of fund managers," he said.

But Mr. Yaggaroff counsels against using advisers who are "just performance chasers," saying that investors should gather and evaluate their own information and turn to "specialist advisers who will understand the investors' risk tolerances and find the appropriate discretionary manager."

Not long ago, gleaning information on how a private bank had performed with its clients' money was almost impossible. Investors were often reduced to word-of-mouth methods.

"You would have to ask friends how their money had fared at such-and-such a bank," said one New York-based private banker who spoke on condition of anonymity. "Now things are different. Discretionary managers are publishing model portfolios, and it's possible to see how the hypothetical client would have fared and make a more or less even comparison."

Christopher Kwiecinski, Paris-based director of investment management at the private banking arm of Paribas, concur: "There has been a shift to openness and more transparency. Banks are publishing model portfolios and tend to provide more information on a regular basis."

Model portfolios may be a step in the right direction, but investors should be careful about making comparisons, warns Angus Cruckshank, a director of Guinness Mahon private bank in London: "It really depends on what a client wants, on what level of risk he is prepared to take. A lot turns on how sophisticated the individual is, what levels of risk he can understand, what losses he can tolerate. A comparison between lots of figures that only tell you about performance may change dramatically depending on what time period you take. Statistics can be read almost in any way you like."

Robert Brown, deputy managing director of Cantrade, a Zurich-based private bank owned by Union Bank of Switzerland, agrees. Mr. Brown identifies three potential benchmarks against which banks may be judged, according to the degree of risk an investor is prepared to accept.

"The first benchmark is the deposit rate. It might seem obvious to everybody, but if a client isn't getting a return above the deposit rate for extra risk taken, then the risk isn't worth taking."

The second criterion of good performance is similarly universal: "The investor has to ask himself whether it is beating inflation over the long term. It is in the nature of risk-oriented investment that an investment may underperform in the short term, but if the portfolio is not beating inflation over five years, something is badly wrong."

Finally, the more ambitious, growth-oriented investor will be looking to have investments in a mix of assets, argues Mr. Brown. He says Cantrade has developed a benchmark that is "sensitive to the circumstances of this kind of client." The principle, he says, is "What is the natural long-term balance of investment for growth?" The Cantrade index is designed for the British investor and is composed of 50 percent U.K. shares, 20 percent overseas securities and 30 percent a "cocktail of index-linked and other defensive securities."

Cantrade measures the performance of model portfolios against its composite benchmark. Mr. Brown concedes that the index is far from perfect but says it provides a rough guide to what individual investors should expect from private bankers who manage their money on a discretionary basis. He argues that this kind of performance measurement promotes greater openness in the industry.

"Partly because of the cloak of discretion, partly because of tax reasons," he says, "the private client can fail to get the benefit of disclosed performance, unlike some others. We are trying to help along the movement for more disclosure in investment management."

But, disclosure or not, there are those who reaffirm the point that private banking is a personal service, and the individual needs of each client do not necessarily lend themselves to measurement against a general benchmark.

Ian Partridge, marketing director of Chase Manhattan's private bank in Geneva, suggests that in evaluating a bank's performance, an investor should look at the track record of its funds, or those portfolios whose performance is a matter of public record.

But then, he says, the investor should ask: "What sort of smart investment ideas does the bank have that fit into the individual's own circumstances? Has the bank thought through the individual's own needs and made a proposal which is smart for that investor?"

Eric Lafeuille, head of Paribas Asset Management in Paris, sums up the marriage between individual need and go-go performance as being "relative to the client's own personal benchmark, which must be decided on carefully."

He adds: "The ultimate measure of success is where we match those requirements, of which performance is an important, but not the only, part. You have to look at the fiscal advice, the quality of reporting and the overall quality of the personal service we deliver in determining how successful we are."

MARTIN BAKER is editor of the International Herald Tribune's Money Report.

## Lean Times for Lending on Artworks

By Aline Sullivan

**L**ENDING against works of art was a big business in the late 1980s. But today, only a handful of financial institutions will arrange such loans for private clients. And they hold out little hope of a return to the boom times.

Demand is still there. Borrowers willing to put up works of art as collateral generally fall into one of two groups: dealers or collectors who want to leverage their existing collections to finance further purchases, or those needing to pay off business or other debts. Not surprisingly, lenders say, more applications have come from the second group in recent years, although in smaller numbers than they had expected.

As investments, works of art have one big drawback. Although they may offer impressive capital appreciation, they commonly earn no return for their owner between one sale and the next. Instead they cost money, especially to insure and maintain. For private collectors this can be disastrous. For art dealers whose livelihoods depend on rapid turnover of stock, it can be disastrous.

But only the most desperate are willing to sell in today's market. Values for most categories of art plummeted in the early 1990s after reaching record highs in the 1980s. Prices are now creeping back in some areas, but few market authorities expect significant gains. Borrowing is often a more palatable, although expensive, solution.

For lenders, the problems posed by works of art as security are legion. Values are often volatile, and valuations sometimes prove unreliable. Although many banks will make loans with artworks as collateral, most insist on taking possession. Consignment to the bank's vaults.

While it provides no protection against a decline in value, at least provides a degree of comfort to the lender.

But some banks are willing to go further. Take the case of a client of 20 years' standing who approaches his bank wishing to borrow a third of the value of his collection of Matisse drawings, yet keep the drawings in his own home. This is "relationship banking" at perhaps its most advanced stage.

"Making loans against works of art is part of our overall relationship with our private banking clients," said Cathy Bouckley, director of Citibank's Art Advisory Service in New York. "Art is like land in that it is not an income-producing asset. We are able to provide some liquidity without taking possession."

Ms. Bouckley said that this art lending service was only part of the bank's overall "wealth management" service for its private clients. Decisions about loan applications are made on the basis of the client's ability to pay as well as the value of the work offered as collateral.

The Citibank Art Advisory Service has been making loans against works of art for 15 years.

"It is a major part of our private banking business," Ms. Bouckley said. "We have stayed in place during the lean years as well as the boom years. We know the market because we are constantly in the market."

Chase Manhattan Bank, which has a large department devoted to its own art collection, also makes loans to its American private banking clients using works of art as collateral. Others still in this market include Sotheby's Financial Services in New York, a division of the Sotheby's auction house, and Rosenthal & Rosenthal, also in New York.

But recession and declining art values have made even the most dedicated lend-

ers more cautious. Sotheby's Financial Services' portfolio of loans outstanding has shrunk to about \$130 million from a high of \$250 million in 1989. Its president, Mitchell Zuckerman, attributed the drop to a decline in demand as well as more stringent lending policies.

"It is surprising that we didn't see more demand in the 1990-93 period when recession was so severe," said Mr. Zuckerman.

"But loans are up a bit from a year ago. We are seeing a slow but steady recovery."

Other lenders say the major reason for the drop in demand has been the expense of borrowing against works of art.

**F**OR example, Sotheby's charges an interest of three to four percent points above the prime lending rate, and Rosenthal & Rosenthal charge still more. When art prices are stagnant, borrowing to finance further purchases loses much of its appeal.

Art-based loans are also expensive for the lenders who have to arrange for the works to be valued. Consequently, the minimum amounts required are relatively high: Citibank won't consider a loan application for less than \$2 million, the Sotheby's minimum is \$1 million, and Rosenthal & Rosenthal's is \$250,000. Executives of Chase Manhattan declined to comment on the bank's lending policies.

Borrowing against works of art is more popular in the United States than elsewhere because lenders in America can have legal control, or a lien, on the work. If the artwork is subsequently sold without the lender's knowledge, the buyer will not obtain title to it. In Britain and most other European countries, lenders making these loans cover this risk through insurance policies.

ALINE SULLIVAN is a journalist in London who specializes in financial topics.

## Answers May Be Elusive, but Here, at Least, Are Some Questions

**A**SK not for whom the bank works; it works for thee. In other words, the business of assessing a private bank's performance is up to you, the client.

Many private bankers argue that the services they provide is personal, so the marks they score will depend on the requirements of each client. Nevertheless, once the client has defined his expectations, there are a few matters that can always be put to a private bank.

• What do I want?  
It is vital to establish clearly in your mind what you want to do with your

money. The oldest saw of finance — that there is no profit without risk — is incapable here. The fundamental choice is between safe investments that provide some income yet still avoid erosion of capital value, and riskier investments that may produce capital growth in the longer term but may also fall in value.

• Is the bank a good money manager?  
There are two ways of answering this question. One is relatively easy, the other difficult.

The first is to judge the bank against a relevant benchmark. If, for example, you have specified that you want income yet

receive less than the return available for leaving your money on deposit, the bank is clearly not doing its job well.

The difficult way is to try to compare your bank with the competition. Thanks to the secrecy that still surrounds private banking, reliable information can be difficult to find.

• Is the bank taking risks with my money?

You should insist on regular statements if you have chosen a strategy that subjects your investments to changes in value. If the degree of fluctuation makes you uncomfortable, invest in less volatile assets such as deposit accounts.

• Is the bank safe?

There is no such thing as a guarantee of safety. Sometimes it is difficult to tell just how safe a private bank is.

Some private banks are relatively easy to evaluate, especially the private banking arms of huge international banks such as Chase Manhattan or Paribas, which have risk assessments published by international credit rating agencies. In other cases, the investor has to make a decision based on reputation, longevity and the bank's standing in the eyes of informed professionals.

• Is the bank expensive?

The usual rule — that the more money

you have, the less you pay — does not apply in private banking. The bankers say this is because of the personal nature of the service. Skeptics say bankers charge fat fees because clients hungry for confidentiality will be unlikely to complain too loudly.

If you have a friend who uses a private bank and is willing to talk freely about fee levels, this may offer a useful guide.

As one possible guideline, some say that charging anything more than 0.5 percent of the assets under management is exorbitant.

Martin Baker

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## Private Banking / A Special Report

## How to Make Retirement Less of a Job

**Wealthy Expatriates May Need to Consider Establishing a Trust**

By Barbara Wall

**T**HROUGHOUT their lives, most expatriates have accumulated a range of investments on an ad hoc basis. But as retirement beckons, the need for a more structured approach may become pressing, particularly if assets are scattered across the globe.

"The financial planning needs of retired expatriates are too diverse for any one product or service to be targeted at this particular market," said Peter Stradling, chief operating officer at Coutts International Bank in Zurich. "Consequently, well-heeled individuals tend to look to private banks for a bespoke service."

The banking services required and the suitability of any one particular bank will ultimately depend on your domicile and tax position. The needs of, say, a British national resident in Hong Kong but domiciled in the United Kingdom will be far different from those of an American expatriate in Europe who has cut all ties with the United States.

If there are continuing financial obligations in the base country, such as credit card bills or mortgage payments, it may make sense to keep an account with a local bank. However, as an expatriate's needs tend to go beyond simple day-to-day transactions, a bank with overseas operations would probably be more appropriate for most.

Asset protection is a primary concern of many retired or soon-to-retire expatriates. Having amassed wealth over the years, the last thing anyone wants is for this wealth to be whittled away by taxes, or worse, to be distributed after his or her death according to the laws of the host country rather than the wishes of the deceased.

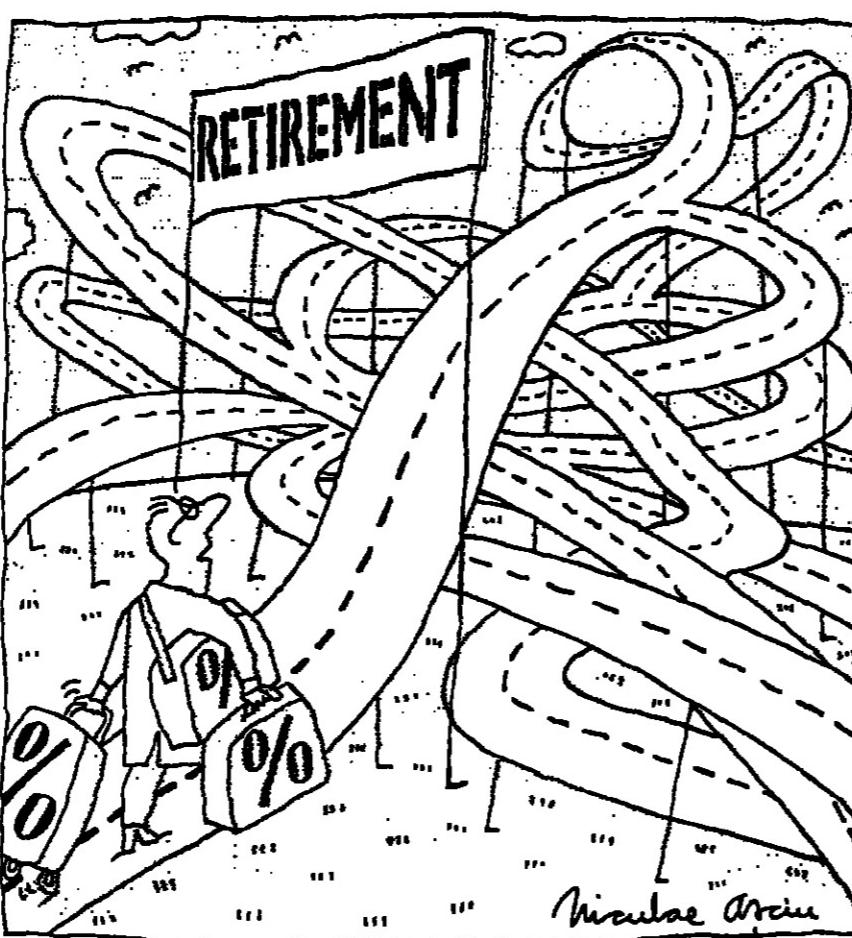
Many major international merchant banks, such as Chase Manhattan Corp. or Kleinwort Benson Group PLC, have sister operations that specialize in the setting up and administration of trusts for estate-planning purposes. Most of these trust corporations are based in offshore tax havens such as the Channel Islands or Bermuda.

"If you have property or investments in various different jurisdictions, it makes sense to shelter them all under the trust umbrella," said Julian Bub, managing director of Chase Manhattan Bank & Trust Co. in the Channel Islands. "The alternative is to take out probate in each country where the assets are located; as well as being messy, this may not always be feasible."

Trusts are not suitable for everyone, however. Few banks will manage a trust or assets under \$1 million, and some jurisdictions, such as France, do not recognize the trust structure. Moreover, Americans overseas may have difficulty persuading a banker that a trust structure is really in their interest.

Christopher Rebina, manager of private banking for the Guernsey subsidiary of the Australian banking company ANZ Grindlays Bank PLC, said that, because the Internal Revenue Service is less than fond of trusts, many American banks are reluctant to offer this service to U.S. citizens. "They want to be seen to be playing by the rules," he said.

Where trusts are concerned, profession-



International Herald Tribune

al advice should always be sought from a tax lawyer or accountant. ANZ Grindlays, for example, would not recommend the trust structure to American or British expatriates who intend to move back home.

"Americans are unlikely to benefit from a trust because of the constraints imposed by the IRS," Mr. Rebina said. "British foreign nationals, on the other hand, may gain some advantage from the trust structure, but they would have to ensure that they had lost their U.K. domicile status first, and this is very difficult to achieve."

John Rhodes, a tax and trust lawyer with the law firm of Macfarlanes in London agrees that American expatriates have to be careful when considering a trust structure. Nonetheless, he says, trusts can be used both as a shield against taxes and for estate planning in certain circumstances, provided the client is not obviously trying to avoid taxes.

Once estate planning has been taken care of, the bank can get down to the task of managing the investments. "Retirement doesn't automatically mean that walls have to be built around investments," said Geoff Roberts, manager for business development at Lloyds Bank in the Channel Islands.

But if the client is returning home from a long spell overseas, some precautions will have to be taken in relation to currency exposure, he said.

"A British foreign national returning to the U.K., for example, will want to ensure that the majority of the investment portfolio is denominated in sterling, at least a year before the repatriation. As the client may also be exposed to capital gains tax on returning home, we would advise that capital gains accruals are 'bed and breakfasted' before the U.K. tax authorities get wind of them."

Trusts are not suitable for everyone, however. Few banks will manage a trust or assets under \$1 million, and some jurisdictions, such as France, do not recognize the trust structure. Moreover, Americans overseas may have difficulty persuading a banker that a trust structure is really in their interest.

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Barbara Wall

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## Task in Japan: Keeping It in the Family

By Steven Brull

**T**OKYO — In theory, a country where millions of citizens own properties worth millions of dollars ought to be a paradise for private bankers.

In practice, most wealth owned by individuals in Japan is stored in highly illiquid assets, mostly property and stocks that have soared in value.

Moreover, the Ministry of Finance — arguably the most powerful institution in Japan — has set up elaborate restrictions that make it difficult to liquidify assets to transfer wealth to offspring.

The result is that most private banking in Japan is concerned with inheritance, but playing the game is so intricate and fraught with risk that few individuals are willing to engage in aggressive strategies.

"In Japan so many individuals are so very wealthy that as a private banker you can start salivating. But the tax laws are so restrictive and complicated that it's just mind-boggling."

In Mr. Kaneko's case, the children would receive about \$12 million — and face an inheritance-tax bill of about \$5 million. When their mother dies, they will have to pay an equal or higher amount.

The real problem lies in getting the cash to pay the taxes. In the late 1980s, when Japanese property and stock prices were booming, it was relatively easy and sensible to borrow the money. To generate the cash to pay off the loan, one could develop some urban property into high-rent apartments for well-heeled foreigners. The property thus remained in the family, even if it took many years to cover the loan.

But with banks now reluctant to lend, and property values and rents fur below their "bubble economy" peaks, this strategy no longer works. Often the only choice is to liquidate assets.

"Very few Japanese have been willing to bother with all the planning," Ms. Wetmore said. "But because of changed attitudes, we'll see more people liquidifying wealth if stock and property prices rise."

The difficulties facing wealthy Japanese are typified by the case of Hiroshi Kaneko, a 50-year-old father of two whose parents died when he was young. Mr. Kaneko (not his real name) inherited rural and urban land valued at \$30 million. The large and profitable retail business he inherited is valued at \$20 million. He owns about 80 percent of the shares in the unlisted company. Along with his collection of Japanese artifacts, these holdings give Mr. Kaneko a net worth of about \$50 million.

Having had a stressful life, Mr. Kaneko is worried about his health. To be sure, there would be no immediate problems for his wife. She is entitled to receive half his estate tax-free.

The other half, however, is split be-

tween his children. The problem is that unlike the United States and many other countries, Japan levies inheritance taxes not on the estate but on the recipient of the inheritance, and the inheritance tax runs as high as 70 percent.

Still, there are strategies for the determined. The major ones involve exploiting a big loophole resulting from the difference between Japanese laws, which tax the receiver of the inheritance, and those of most other countries, where the estate is liable.

With long-term planning, for example, Mr. Kaneko could slowly transfer his assets abroad. Then, upon his death, he could pass these along to an offspring who is a long-term foreign resident (though he or she may remain a Japanese national).

Mr. Kaneko's foreign assets thus would not be taxed by Japan. And his son's tax obligations would be covered by the estate, which is based abroad.

"If you work it out right, it's perfect," Ms. Wetmore said.

Still, there is a natural reluctance among Japanese to use such strategies.

An obvious difficulty is that its execution takes years of planning, during which the patriarch must be able to liquidate and transfer his assets overseas. And it requires one member of the family to establish foreign residency for an undetermined period. This individual, moreover, will tend to receive the lion's share of the inheritance.

Another problem is the thin legalistic tradition that makes Japanese uncomfortable with using the law actively to preserve wealth. That tendency is reinforced by the government's broad powers to interpret vaguely worded laws.

"People are terrified of the fact that a bureaucrat is going to check into things," Ms. Wetmore said. "The bureaucratic forces do not want Japan to be investing internationally in a free way or to be saving taxes."

**STEVEN BRULL** is Tokyo correspondent for the International Herald Tribune

## Deductions on the Far Horizon

**T**OKYO — For well-paid foreigners in Japan, who face a marginal income tax rate as high as 65 percent on annual compensation above 20 million yen (about \$200,000), international real estate investments can offer big tax reductions.

Japanese tax laws allow investors to depreciate the value of buildings, but not property. The depreciated loss then is deducted from compensation income.

Because land is so expensive in Japan, the cost of a residential property in Tokyo is usually about two-thirds land, one-third the cost of the structure built on it. As a result, investments aimed at

achieving depreciation losses are far more efficient with properties outside Japan, where land costs generally remain a small fraction of the purchase price.

The depreciation schedule depends on the type of structure, with more modern steel and concrete edifices offering the slowest depreciation and buildings of wood offering the fastest. With wood building, the precise schedule is open to negotiation, but it can be as short as three years.

Thus, a \$100,000 investment could, in theory, slice as much as \$33,000 off one's gross taxable income.

Steven Brull

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## Sweden's Barriers to Wealth

By Conrad de Aenle

**S**TOCKHOLM — It may be nice being rich anywhere, but it's more difficult to be rich in Sweden. Although the top income tax rate has fallen, it is still 50 percent, and the recently elected Social Democrats have proposed raising it to 55 percent.

Beyond that, interest income is taxed at 25 percent. And when an individual accumulates a modest degree of wealth in spite of those taxes, he faces a wealth tax of as much as 1 percent of the value of his assets every year.

Sweden's major exporting companies said recently they feared that marginal taxes of more than 50 percent would severely decrease their attractiveness to potential employees and executives and make it difficult to "retain necessary expertise" in Sweden.

Top officials of Volvo AB, LM Ericsson AB, ABB Asea Brown Boveri Ltd. and Stora Kopparbergs Bergslag AB, which account for a third of the country's exports, said in September that they would consider a foreign alternative if government policies threatened business conditions.

As a result of all this, bankers say, Swedes have set up their financial affairs abroad to a greater extent than citizens of many other countries, despite government obstacles to such moves.

"There have been very tough restrictions on taking money out of the country," said Patrik Tillman, a banking analyst at the Stockholm brokerage concern Alfred Berg.

But somehow, Swedes still manage to do it. As part of a deregulation of the banking system that began in 1985, the government relaxed currency controls. And if Sweden votes on Nov. 13 to join the European Union as of Jan. 1, it should soon become easier for individuals to conduct their financial affairs abroad, as most controls on the flow of capital and wealth would have to be scrapped in the name of the single European market.

If EU membership is rejected in that referendum, the question for wealthy Swedes will become whether the Social Democrats can raise taxes again and reimpose some of the old barriers to keep wealth from escaping, or

whether they might fall from power themselves soon, victims of the same tough economic problems that undid Prime Minister Carl Bildt's conservative coalition.

In any case, Sweden's two largest banks now have established mechanisms to help wealthy clients who prefer to keep their money in Britain or Switzerland or Luxembourg. For a while, the flow was in the opposite direction. Despite facing the highest tax rates in Europe, some Swedes did bring their money home after the reduction in tax rates in the mid-1980s and the election in 1991 of Mr. Bildt.

"There have been notable cases of wealthy individuals returning to Sweden," said Bengt Bersk, a spokesman for Svenska Handelsbanken, the country's largest bank. "They had been in the Benelux countries, Switzerland, or the U.K."

But with Mr. Bildt having been voted out of office in September, that trend could come to a halt or even turn around.

It is difficult to measure movements of private wealth into and out of a country. But one clue is net savings. When a nation's citizens save more, it could be because they have more to squirrel away or because some money is coming back into the country from abroad.

Net savings fell sharply in Sweden through the early 1980s, then picked up briefly in the middle of the decade after tax rates were cut, according to figures compiled by the Organization for Economic Cooperation and Development.

Net savings then resumed its slide until 1989, when it reached a negative 27.9 billion kronor (\$3.9 billion). Since then, though, it has picked up dramatically, rising to a positive 24.4 billion kronor in 1991 and 61.1 billion in 1992.

But, Lars Isaacson, chief financial officer of Skandinaviska Enskilda Banken, said, even though wealthy Swedes were now being taxed less than before, "it's still much more profitable to keep your money in Luxembourg if you don't want to pay tax on it. There's still a significant difference."

CONRAD DE AENLE is an editor for Bloomberg Business News in London.

## California Is New Frontier for Private Bankers

By Philip Crawford

**A**shore in California and you have a very dynamic market. Private banking is growing faster here than anywhere else in the States and probably in the world, outside of China and Hong Kong."

Mr. Olson said that The Portola Group currently manages about \$325 million in assets for about 160 clients or families, whereas five years ago the firm was managing about \$175 million. Portola's average client has about \$2 million in investable assets.

According to PSI Inc., a Florida-based research firm that evaluates private-banking markets state by state, the number of affluent households in California (those with annual incomes of \$75,000 or net worths of \$500,000, excluding the value of principal residence), rose by about 338,000 in the two-year span that ended Dec. 31, 1993. At that time, PSI estimated that about 304,000 California households had investable assets of over \$1 million and that 94,000 households had over \$2 million to invest. Nearly 18,000 households were found to have net worths of over \$5 million.

While this year's research has yet to be completed, California's affluence is expected to continue its expansion. Some forecasts say that the state's private banking market will increase by 20 percent annually through the end of the decade.

Traditionally, the heart of personal banking services for the affluent has been advice regarding asset allocation, or how much money to put into which investment markets. But in California, the nature of that

advice is changing due to the evolution of a new breed of private banking client — a globally oriented person who already has a substantial degree of investment knowledge.

"Around 20 to 25 years ago, a lot more people wanted full, discretionary investment management," said Vern Kozlen, manager of First, Interstate Bank of California's private client services division, which was launched 10 years ago.

"More clients are now interested in participating in the investment management decisions. They'll come in with a set of objectives, risk parameters and guidelines, and look to us to find solutions. And since many of them do business globally, they're not afraid to invest globally."

Mr. Kozlen said that the age of his typical client, who on average has between \$2 million and \$5 million to invest, has fallen considerably, due to the new business climate in which large sums can be made in relatively short periods of time. "The average client used to be in his late 50s or 60s," he said.

"But now we're also working with people who are in their 40s and even in their 30s. More of them are also looking for shorter-term strategies with minimum risk to principal, since they may be needing the principal within a few years to start or to expand a business."

Where huge sums of money and tight client confidentiality

are concerned — two basic elements of the private banking industry — questions about illicit funds and money laundering are bound to come up. Indeed, the decision of whether to accept large cash deposits has long been a dilemma for banks serving the high-end customer.

Amanda Wallis, an executive vice president for San Francisco-based Bank of America's private-client branch — which is referred to as The Private Bank — said the approach in California was identical to that in offshore domiciles such as the Channel Islands, where The Private Bank has an affiliate.

"The key is to know your customer," she said. "If someone walked in with a suitcase full of cash, whether we knew the person would certainly influence how we would respond. Of course, if the amount were over \$10,000, we'd have to report it." Unlike offshore domiciles, the U.S. government requires banks to report any cash transaction of \$10,000 or over.

Miss Wallis said that The Private Bank manages about \$19 billion in California for around 10,000 clients, and that its business is growing at a rate of 15 percent per year.

Contributing to California's private-banking boom, others note, is the fundamental shift in the global banking land-

scape toward consolidation, a trend that has created huge institutions where the idea of highly personalized, generation-to-generation consultation — the hallmarks of traditional private banking — seem as outdated as handwritten account ledgers.

"Automated lending systems and the sort of banking where no one knows anyone works for the vast majority of the population," said Jean Bloomberg, a senior vice president and manager of executive banking at Silicon Valley Bank in Palo Alto. "But the small percentage of people who want a personal banker who knows their family, knows their tax returns and their special needs has found themselves let our and seeking such services."

Miss Bloomberg said a full number of her clients were venture capitalists, another profession that has come to California. "Say you've got a venture capitalist who spends 20 days a month on an airplane flying around the world," she said. "He wants to be able to call in and say 'Hey, I just found a great investment — can you take \$25,000 from my line of credit and put it in my checking account?'"

PHILIP CRAWFORD is a journalist specializing in business and financial topics.

## Trouble Ahead for Hong Kong

Continued from Page 13

from being seen as competitors to contributors."

For those private bankers and financial advisers who are expanding their businesses in rapidly growing Asia, personnel difficulties dog their progress.

"The big problem is, not enough real professionals in the market," said Patricia Lawson Lim, head of institutional private banking for Banque Indosuez. "There are so many private bankers here who have never been through a bear market."

The growing market has created great oppor-

tunities for experienced private bankers and newcomers alike, but at the cost of increased job-hopping. Many customers leave when their banker goes, but not necessarily to their banker's new home.

"The more aggressive banks appear to have the highest staff turnover," said the Swiss banker. "But staff turnover is the worst thing that can happen to you. A client hates a change in faces. He wants stability. When you can't provide it, you lose all credibility."

KEVIN MURPHY writes from Hong Kong for the International Herald Tribune.

## Luxembourg Keeps Growing

Continued from Page 13

vendors and the banks who decide to open offices there is the ability to pay income on investments gross — free of withholding tax.

Germany suffered badly when it increased its own withholding tax on bank deposits last year. A great wave of money — estimated at more than 200 billion Deutsche marks (\$134 billion) by Luxembourg bankers — flowed across the border into Luxembourg in a matter of months. Germany took up its turn for six months' presidency of the EU in July and made mutterings that the withholding tax issue would be high on its action list. But as yet, a pan-European withholding tax seems as remote a possibility as ever.

"I don't see it happening while, for example, Britain continues to agree with Luxembourg on this point," said Hans Rosteck, managing director of Trinkaus & Burkhardt, a Luxembourg-based

private bank that is part of Hongkong & Shanghai Banking Corp. Mr. Rosteck argued that the situation might change, but only if the imposition of withholding tax were to become the standard across OECD countries — in other words, only if the Channel Islands, Gibraltar and Malta, among other domiciles, decided to adopt it.

The Luxembourg private banking community is in general dismissive of the idea that it will lose its fiscal privileges. Talk of strong-arm tactics from Germany is seen as scaremongering, and private bankers like to accentuate the positive aspects of a financial environment that has generated such healthy-looking figures over the past ten years.

"Luxembourg has consistently shown the capacity to adapt itself and its legal environment to changing circumstances," said Olivier d'Auriol, head of the Banque Privée Edmond de Rothschild in Luxembourg. "Luxembourg was, for example, the first to react to

the 1988 directive allowing for a standard form of mutual fund to be sold across Europe. That kind of flexibility gives banks based here a big advantage in terms of marketing."

Mr. d'Auriol said that there had been particularly impressive growth in the private banking sector over the past three years, and that there was no way this would disappear overnight.

Lloyd's Bank International Private Banking, which has 19 branches worldwide, opened its Luxembourg office in the wake of the country's signature to the Pan-European fund directive, but was attracted by the Grand Duchy's other virtues.

"We identified a strong banking presence, a cosmopolitan business structure and advantageous fiscal policy," said a spokesman for the bank.

Austin O'Connor, managing director of Bank of Bermuda's Luxembourg operation, agreed that the advantages of the domicile were a "unique withholding tax structure and strong secrecy laws."

A third advantage for Luxembourg, according to Mr. Rosteck, is its multi-cultural environment. Mr. Rosteck argued that not only were Luxembourg's banks drawn from many countries, but business was done in several languages (principally English, French and German). Furthermore, methods of doing business vary according to banking tradition, allowing bankers to cherry-pick the best ideas from other business cultures.

Olivier d'Auriol said the Luxembourg was obtaining much of its new international private banking business from South America.

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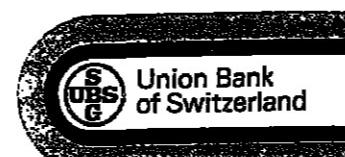
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# MONDAY SPORTS

## Surprise: NHL Cuts Off Insurance

The Associated Press

TORONTO — If the National Hockey League's owners are seeking empathy from the players' ranks, they needn't bother seeking it from Tom Kurvers.

Not after the league didn't tell him that his group health insurance had been canceled — which he found out about after he and his wife, Suzy, seven and a half months pregnant with their first child, were involved in an auto accident.

Neither was seriously hurt, but Suzy Kurvers had to remain in the hospital overnight and Kurvers, a defenseman for the Anaheim Mighty Ducks, who thought hospital charges would be covered by the NHL's group health insurance plan, found that his coverage had been cut off Oct. 15. The action was taken without his knowledge or that of the NHL Players' Association.

Medical insurance was one of 19 items that NHL Commissioner Gary Bettman announced in August would be rolled back, with players earning more than \$350,000 forced to pick up their own premiums to maintain coverage.

The NHL then decided to pay the premiums through Dec. 15 — but changed its mind when collective bargaining talks broke down. Neither players nor the union were notified of when that coverage would end.

### Talks Scheduled This Week

Compiled by Our Staff From Dispatches

**NEW YORK** — National Hockey League officials said that talks will be resumed this week, but the league's director of operations, Brian Burke, said the site, date and time of the talks might not be disclosed until after they were held.

In Moscow, Russia's Foreign Ministry ordered new passports issued to Alexander Mogilny and Sergei Fedorov, who left the Soviet Union illegally to play in the NHL.

The move effectively pardons the two and clears the way for them to take part in a charity tournament in Russia next month with other Russians playing for NHL teams.

Authorities also said they had dropped criminal charges filed against Mogilny when he left the Soviet Union in 1989 while serving in the army and playing on an army team.

Mogilny emigrated to the United States to join the Buffalo Sabres, and Fedorov left in 1990 to join the Detroit Red Wings. Both are now among the highest-paid players in the NHL. (AP, Reuters)

Kurvers said the hospital administrator told him that since his COBRA fees had not been paid, he had no coverage.

"You'd think the NHL would have made the effort to let us know," said Kurvers, a former player representative for the New York Islanders.

He was on his way to the airport to pick up a friend when the accident occurred.

"We weren't drilled hard enough to send us face-first into the dashboards, but the air bags inflated and that prevented a lot of damage," Kurvers said. "At this point my wife is doing fine and the baby is fine."

He spent the night in the hospital at his wife's side and went home Friday morning to find the letter from the insurance company in that day's mail.

"I wish there would have been a better way to find out," Kurvers said. "That is not the way."

The NHL vice president, Jeff Pash, contended that "no one's coverage has been taken away from them. Everyone has exactly the same coverage today as they did 10 days ago."

However, he didn't dispute that a player had to pick up the premium for the coverage to remain in force — and that a player had to know his previous coverage had been canceled.

of which was obtained by The Canadian Press.

The letter said the player had 60 days from the date of the notification to let the "Plan COBRA Administrator" know whether he had decided to pay for his own insurance.

Essentially, COBRA is a U.S. insurance law that states that when employees' coverage is terminated, they can have access to the plan for 18 months provided they pay the premium, plus an administrative fee, retroactive to the termination date.

"This notice is to advise you that even though you are no longer eligible to be covered as of 12:01 A.M. Oct. 15, 1994 . . . you have the option, at your expense, to continue the benefits under the Plan that were in effect at that date, for up to 18 months," said the letter, a copy

of which was obtained by The Canadian Press.

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### New League In Baseball Possible?

The Associated Press

**NEW YORK** — The American and National leagues may be getting some competition for the first time in 80 years.

Organizers of the new United League have called a news conference for Tuesday to announce plans for the first new circuit since the Federal League in 1914-15.

Agent Dick Mess, the former general counsel of the Major League Baseball Players Association, has been organizing the league as an alternative to the existing major leagues, which have been shut down by players' strike since Aug. 12.

A Continental League was planned in the late 1950s after the Brooklyn Dodgers and New York Giants moved to California and left an NL void in New York, but those plans were dropped after the NL expanded and created the New York Mets and the Houston Astros.

Moss, who left the union in 1977 to become an agent, has declined to give many details about the league and was ambiguous during a presentation last week to other top baseball agents, according to one participant in the meeting.

### SCOREBOARD

#### Top 25 College Results

How the top 25 teams in the Associated Press' college football poll fared this week: 1. Penn State (7-0) beat No. 21 Ohio State 33-14. Next: 1. Indiana, Saturday, 2. Colorado (7-1) vs. No. 18 Michigan, Saturday, 3. Florida (6-1) vs. No. 19 Michigan State (7-0). Next: 4. Auburn (6-0) beat Arkansas 31-14. Next: 5. East Carolina, Saturday; 6. Florida (6-1) beat Michigan State, Saturday; 7. Southern Miss (4-2) vs. Mississippi State (7-0). Next: 8. Florida (6-1) beat No. 14 Duke 59-28. Next: 9. Florida State (6-1) beat Louisville 34-13. Next: 10. Michigan (5-2) vs. Wisconsin, Saturday; 11. Michigan (5-2) vs. Michigan State, Saturday; 12. Michigan (5-2) vs. Michigan State, Saturday; 13. Michigan (5-2) vs. Michigan State, Saturday; 14. Michigan (5-2) vs. Wisconsin, Saturday; 15. Michigan (5-2) vs. Michigan State, Saturday; 16. Michigan (5-2) vs. Michigan State, Saturday; 17. Michigan (5-2) vs. Michigan State, Saturday; 18. Michigan (5-2) vs. Michigan State, Saturday; 19. Michigan (5-2) vs. Michigan State, Saturday; 20. Michigan (5-2) vs. Michigan State, Saturday; 21. Michigan (5-2) vs. Michigan State, Saturday; 22. Michigan (5-2) vs. Michigan State, Saturday; 23. Michigan (5-2) vs. Michigan State, Saturday; 24. Michigan (5-2) vs. Michigan State, Saturday; 25. Michigan (5-2) vs. Michigan State, Saturday.

#### Other Major College Scores

EAST  
Boston College 24, Army 3  
Boston U. 26, Massachusetts 24  
Brown 16, Cornell 3  
Buffalo 24, Maine 21  
Connecticut 36, St. Peter's 15  
Cornell 19, Princeton 10  
Colgate 12, Brown 20  
Georgetown 12, Boston College 12  
D.C. 35, Marist 12  
Harvard 25, Dartmouth 12  
Holy Cross 31, Fordham 21

#### Lafayette 56, Bucknell 14

Lehigh 25, Colgate 22

Momouth, N.J. 22, Sacred Heart 13

Notre Dame 21, Rhode Island 7

Penn, Yale 10

Pittsburgh 19

Robert Morris 14, St. Francis, Pa. 14

St. John's, N.Y. 24, Stony Brook 11

Temple 20, Connecticut 17

West Virginia 22, Louisiana Tech 16

William & Mary 33, Villanova 28

SOUTH

Ala.-Birmingham 36, Morehead St. 15

Alcorn St. 24, Arkansas 20

Anchorage 30, Tenn.-Chattanooga 16

Bethune-Cookman 30, N. Carolina A&T 24

Cent. Florida 49, Liberty 24

Florida 21, South Carolina 18

G. Kentucky 26, Kent. Martin 14

East Carolina 35, Cincinnati 21

Furman 42, Tennessee St. 21

Hannibal-Sydney 12, Davidson 7

Hawaiian 20, South Carolina 16

Louisville 16, Memphis 6

Mars Hill 45, Charleston Southern 28

Marshall 42, Clinton 45

Maryland 36, Tulane 10

Mississippi St. 22, Stephen F. Austin 9

Midway 20, Jacksonville St. 37

Miss. Valley 21, Prairie View 10

Mississippi 34, LSU 21

Mississippi St. 47, Kentucky 7

Montana 34, Western 17

Montana St. 24, Weber St. 20

Montana St. 24, Wyoming 20

North Carolina 22, Western 17

North Carolina 22,

# MONDAY SPORTS

## Nebraska Dashes Colorado's Hopes

By Jere Longman  
New York Times Service

LINCOLN, Nebraska — What Nebraska did to Colorado was not particularly attractive, or even imaginative, but it was devastating to the Buffaloes' national title hopes, not to mention Heisman Trophy candidates of the quarterback Kordell Stewart and the running back Roman Steward.

Nebraska (9-0) beat Colorado (7-1) the old-fashioned way Saturday, running to a 24-7 victory behind a dominant line, a punishing fullback and tight ends who found enough time between blocks to catch nine passes and score a touchdown.

The Cornhuskers overwhelmed Colorado's backpedaling defense with an offensive line that averages 6 feet, 4 inches in height and 295 pounds in weight and opens holes wide enough for a homecoming float to be driven through. The Buffaloes' arm-tackling was so halfhearted that, at times, it might have been mistaken for square dancing.

Nebraska's defensive line was equally voracious. The Cornhuskers had jumped ahead, 24-0, before Colorado crossed midfield for the second time.

Trailing from late in the first quarter and facing long, protracted drives all game, Colorado was doomed. In the end, the nation's second-leading offense had failed on all 15 of its conversion attempts in third and fourth downs.

Inviting Colorado to pass, Nebraska stacked its defensive front with eight and nine players, taking away the option pitch to Salsam, the country's leading rusher, and forcing Stewart to keep the ball. When he went to pass, the blitzes came from the middle and the wings.

"It seemed like he was getting scared back there," said Christian Peter, defensive tackle for Nebraska.

The Cornhuskers used two tight ends while Colorado put up feeble resistance with only three defensive linemen. Fullback Cory Schlesinger ran 14 yards untouched for Nebraska's first touchdown, then lumbered for 29 yards to kickstart the next drive, which gave the Cornhuskers a 10-0 lead on a 24-yard field goal by Tom Sieler nine minutes into the second quarter.

Through persistence, Salsam, still rushed for 134 yards and a six-yard touchdown. But Stewart managed only 24 yards on 14 carries and completed only 12 of 28 passes while being sacked three times. He has failed to defeat Nebraska in three seasons as Colorado's starting quarterback.

For a day, or until another habitual defeat in the Orange Bowl, Nebraska showed a legion of doubters that it could win a big game — after having lost its last 12 against opponents ranked in the top five.

The Cornhuskers have noticeable flaws — the forward pass is still more a concept than a reality unless used in surprise — but they are atop the Big Eight and will now make a claim to the Orange Bowl and a shot at an elusive national championship.

"A lot of people put us down, didn't think we could do it," Peter said. "I think there are a few great teams out there. I definitely think we rank up there."

Bill McCartney, Colorado's coach, said, "Nebraska is the best team we've played to date, and I don't see any reason they shouldn't be No. 1."

If it doesn't have the best team in the country, Nebraska surely must have the most ravenous offensive line, which includes the Outland Trophy candidate Zach Wiegert at right tackle.

The Cornhuskers used two tight ends while Colorado put up feeble resistance with only three defensive linemen. Fullback Cory Schlesinger ran 14 yards untouched for Nebraska's first touchdown, then lumbered for 29 yards to kickstart the next drive, which gave the Cornhuskers a 10-0 lead on a 24-yard field goal by Tom Sieler nine minutes into the second quarter.



Craig Heuer/The Associated Press  
Penn State tailback Ki-Jana Carter, racing for a 37-yard touchdown, scored four times and rushed for 137 yards against Ohio State.

## Penn St. Convinces Ohio St., 63-14

By William C. Rhoden  
New York Times Service

STATE COLLEGE, Pennsylvania — In the world of college rankings, where appearances are often everything, looks can be deceiving.

For Penn State, a decisive victory might have assured its top spot in the weekly football polls, and the Nittany Lions followed through by pulverizing Ohio State, 63-14, before a homecoming-day crowd of 9,079.

But despite the victory, Penn State dropped to No. 2 in the Associated Press poll. The Nittany Lions remained atop the CNN-USA Today coaches' poll, the AP reported.

The Nittany Lions, led by a quarterback who couldn't be stopped and a tailback who wouldn't be tackled, handed Ohio State one of its biggest losses of the century. Ambrose Fletcher's touchdown with 6 minutes 31 seconds left to play gave the Buckeyes their worst defeat since 1902, when they lost to Michigan, 86-0.

Kerry Collins, the nation's top-rated quarterback, completed 19 of 23 passes for 265 yards and 2 touchdowns. Ki-Jana Carter, the dynamic tailback, scored 4 touchdowns and rushed for 137 yards on 19 carries.

The victory extended Penn State's unbeaten streak to 12 games.

"I'm as surprised as anybody," Joe Paterno, the coach of Penn State, said. "It was just one of those days. We had a great week of practice and played a great game."

It was a pivotal game for Penn State (7-0, 4-0), which is close to achieving its goal of winning its first Big 10 championship and a trip to the Rose Bowl. Ohio State

touchdowns in the fourth quarter as the Tigers won their 19th straight game.

Auburn trailed, 14-10, entering the fourth quarter before Davis scored on runs of 1, 24 and 53 yards.

No. 5 Florida 52, Georgia 14: At Gainesville, Florida, Darren Hambrick made a dazzling, 81-yard interception return for a touchdown on the final play of the first half, highlighting Florida's victory.

The Gators' defense scored three times — twice on interceptions and once on a fumble return. Eric Zeier was intercepted a career-high four times for Georgia.

No. 6 Miami 24, No. 13 Virginia Tech 3: At Miami, middle linebacker Ray Lewis made 17 tackles, intercepted a pass and broke up four others as the Hurricanes shut down Virginia Tech.

Miami forced three turnovers, had six sacks and held Virginia Tech to minus-14 yards rushing.

No. 7 Texas A&M 21, Southern Methodist 21: At San Antonio, Texas A&M lost its perfect season when Kyle Bryant's 67-yard field goal attempt fell short with one second left.

The Aggies had won 26 in a row in the Southwest Conference. SMU led, 14-0, at halftime, then missed a chance to win when Ben Croslan's 43-yard field goal attempt went wide in the final 30 seconds.

No. 9 Florida State 59, No. 16 Duke 20: At Tallahassee, Florida, Danny Kanell passed for 225 yards during a 32-point second quarter as the Seminoles

routed previously unbeaten Duke for their record 22nd straight Atlantic Coast Conference victory.

Kerr McCorvey caught 10 passes for 207 yards for the Seminoles. Robert Baldwin ran for 96 yards and broke the 1,000-yard mark for Duke.

Wisconsin 31, No. 10 Michigan 19: Darrell Bevell threw three touchdown passes and Wisconsin won at Ann Arbor, Michigan for the first time since 1962.

Brent Moss came back from a two-game absence and ran for 106 yards for Wisconsin. Tyrone Wheatley ran for 132 yards for Michigan.

Oregon 10, No. 11 Arizona 9: At Eugene, Oregon, Danny O'Neill threw a 15-yard pass to Josh Wilcox early in the fourth quarter for the game's only touchdown as Oregon surprised Arizona.

Oregon remained in the picture for its first Rose Bowl berth since 1957. The Ducks, who upset Washington last week, overcame a 9-0 halftime deficit.

Texas Tech 33, No. 19 Texas 9: At Lubbock, Texas, freshman Zebbie Lethridge threw for three touchdowmns as the Red Raiders preserved their shot at the Cotton Bowl.

Arizona State 36, No. 20 Brigham Young 15: At Provo, Utah, Jake Plummer threw for a career-high 327 yards and three touchdowns as the Sun Devils spoiled BYU's homecoming.

Arizona led, 23-0, at halftime. BYU hurt itself early with an interception and two fumbles by tight end Itula Mili.

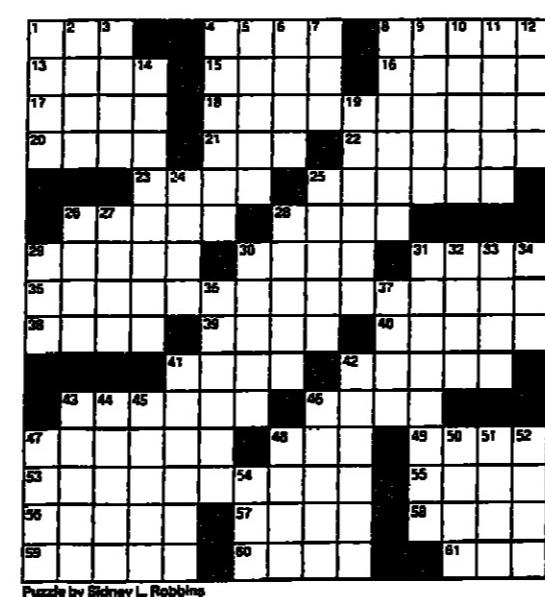
### CROSSWORD

**ACROSS**

- 8 One way to enlarge a family
- 1 Church seat
- 4 Advantage
- 10 "Casablanca" star, informally
- 13 Essayist Wiesel
- 15 Projecting rock

**17 Org.**

- 18 Halloween imps
- 20 Retained
- 21 Jupiter's mother
- 22 Keuan of "Speed"
- 23 Map lines: Abr.
- 24 Super joke
- 25 Listened
- 26 Clucks
- 27 River of W.W. I
- 28 Vampire's tooth
- 29 Oxford, e.g.
- 30 Halloween visitors
- 31 Graf —
- 32 Wedding shower?
- 33 French tpper
- 34 Alternative to charge
- 35 Luges
- 36 Freshen, in a way
- 37 City south of Moscow
- 38 Gaelic
- 39 Gland: Prefix
- 40 Small whirlpool
- 41 Court divider
- 42 Stare open-mouthed
- 43 Equestrian
- 44 Lyric poem
- 45 1953 American League M.V.P.
- 46 Broadcast
- 47 Taj Mahal site
- 48 Tennessee Ernie —
- 49 Mend
- 50 Church recess
- 51 Encouter
- 52 Repeated
- 53 Throat-soothing candies



Puzzle by Sidney L. Robbins  
© New York Times / Edited by Will Shortz

Solution to Puzzle of Oct. 28

|                 |                  |
|-----------------|------------------|
| MARACAIBO       | JACKOLANTERNS    |
| BALLROOMDANCING | OCA OFFER CEE    |
| OCAS            | AARON TOOT AHEM  |
| SMUG FELERS     | TAMOSHANTERS MOS |
| SRS TALENTS     | WILLOTHEWISP     |
| ATTIRE ESTA     | LAIR RAMA SETON  |
| ERA RANEE ESK   | CORONA AUSTRALIS |
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## Montana's Turnovers Cost Chiefs in Buffalo

The Associated Press

Bruce Smith still knows how to give Joe Montana headaches. And the Buffalo Bills still know how to win big games.

Smith forced an interception and recovered one of Montana's two fumbles Sunday, while Jim Kelly threw four touchdown passes to lead the Bills past the Kansas City Chiefs, 30-13, in Orchard Park, New York.

It was a replay of last year's AFC Championship game, when Smith helped knock out Montana with a concussion early in the second half and Buffalo won, 30-13, to earn its fourth consecutive Super Bowl berth.

This time Montana wasn't injured, just ineffective.

He completed 12 of 21 passes for 142 yards and was sacked three times before being relieved in the third quarter by Steve Bono. Montana had three turnovers that led to 17 Buffalo points — including a fumble and an interception in the last two minutes of the first half to turn a 21-7 game into a 31-7 rout.

The Bills (5-3) came out of their bye week intent on making amends for an embarrassing loss to Indianapolis and proving they are still the team to beat in the AFC. Kansas City (3-5) hoped a healthy Montana would be the difference against the team that has knocked them out of the playoffs two of the past three years.

Instead, the Chiefs suffered

their worst loss in years.

Andre Reed caught five

passes for 106 yards and two

touchdowns, and Pete Metzelaars also had two touchdowns for Buffalo. Kelly completed 14 of 22 passes for 184 yards and the Bills forced five turnovers

for a 14-0 lead. But Aikman shook off another blow to the head just one week after sustaining a concussion and threw a pair of first-half touchdown passes. Chris Boniol kicked three second-half field goals to give Dallas (7-1) its seventh straight road win, matching the club record.

The matchup between the NFL's best and worst wasn't the mismatch everyone expected, thanks to a surprising debut by the Bengals' third-string quarterback.

Blake, a third-year pro forced to start because of injuries to David Klingler and Don Hollas, threw for 247 yards and caught the league's best defense flat-footed twice.

Aikman completed 20 of 33 passes for 272 yards and one interception. Emmitt Smith rushed for 92 yards on 25 carries behind a banged-up offensive line missing Pro Bowl tackle Erik Williams.

Lions 28, Giants 25: In East Rutherford, New Jersey, Jason Hanson kicked a 24-yard field goal with 8:17 left in overtime after Barry Sanders made a great individual play to keep the drive alive and Detroit handed the Giants (3-5) their fifth straight loss.

Sanders, who rushed for 146 yards and became the NFL's first 1,000-yard rusher this season, broke two tackles in gaining 9 yards on a swing pass on a third-and-9 from the Lions' 25.

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## LANGUAGE

*On the Edge Is Where It's At*

By William Safire

**WASHINGTON** — Elizabeth Drew's new, highly insidey book about the Clinton presidency is titled "On the Edge," from a quote attributed to a close friend of the Clintons: "Bill has always been someone who has lived on the edge, politically and personally." The reporter treats it to mean "in the aura of danger."

On the edge is where it's at, metaphorically speaking. A blurb for Mark Olshaker's new novel, "The Edge," reads: "a thriller that stretches the limits of the genre and takes readers to the terrifying edge of human behavior and medical science."

**Edge** — from the Middle English edge, based on the Old English ege, meaning "corner, point" — came to mean "border, margin, rim," a place that lends itself to a pyrotechnic display of metaphors. What, for example, does on the edge mean?

One sense is "at the dividing line," as on the cutting edge of a blade; the lexicographer Anne Soukhanov traces it to the 1718 Alexander Pope translation of Homer's "Iliad," where each Greek "stands on the sharpest edge of death or life." W. Somerset Maugham used this sense in his 1944 title "The Razor's Edge."

Another sense is "poised, ready," as to be on the edge of a major decision; an 1884 biography of Francis Bacon recounts: "He was now on the very edge of losing his office," a position familiar to many current candidates. This is more frequently expressed as on the verge of.

Yet another sense is "about to go crazy" or, in more clinical terms, "bordering on mental instability" or "losing control." The King James version of Jeremiah says: "The fathers have eaten a sour grape, and the children's teeth are set on edge." Since 1837, edgy has been synonymous with "testy, irritable"; the closer we get to the edge, the

more nervous the meaning. Time magazine last month titled an article about cops who committed suicide "Officers on the Edge." This usage is related to over the edge, which since 1929 has meant "insane."

Now we come to the sense of on the edge taking over at the moment: "in a precarious position," calling to mind standing on the edge of a precipice. That's Drew's "aura of danger." But's Drew's "aura of danger," reads: "the expertise of a scientist using the undefined phrase butt-head."

As McEwan suggests, butt is a euphemism for ass, a word not permitted in The New York Times unless referring to a donkey. Editors have lifted this restriction when quoting presidents, as in some usages on the Nixon tapes and in George Bush's remark (intended to be private) after a debate that "really kicked ass."

Horses are the genus equus; a donkey is an equus asinus, source of ass and the adjective assinine. In "The Law is an Ass," Charles Dickens was using the sense of "donkey," an animal that is thought to be dull-witted.

Another reader, Donald P. McEwan, countered: "This is commonplace and inoffensive word is not identified as a vulgar usage in Webster's New International Dictionary." Parker Jr. continued: "...not acceptable in polite conversation."

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The other ass, the absence of which is not a major loss to any medium, is a variant of a different etymon, arse: the r was dropped in common usage just as parcel became passel and curse became cuss.

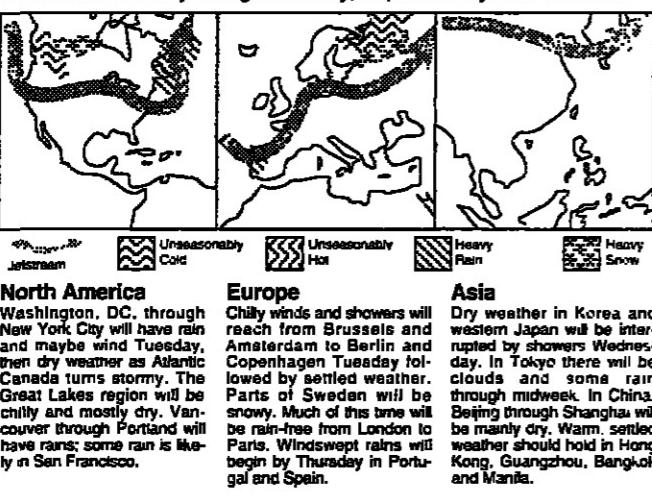
Though the vulgarism is infrequent street use, and is used by screenwriters in a reach for realism, it retains some taboo; hence, the use of a euphemism by President Reagan in "I've had it up to my keister" (reportedly a Yiddishism for a calligraphic display case used by con men sometimes sat or fallen upon); the choice of "cover your rear end" to define C.Y.A.

by senators; the recent popularity of the word buns in fashion magazines, and the inclination of some editors to seize upon the word butt.

New York Times Service

## WEATHER

Forecast for Tuesday through Thursday, as provided by Accu-Weather.



## Europe

| Today            |       |       |       | Tomorrow |       |       |       |       |
|------------------|-------|-------|-------|----------|-------|-------|-------|-------|
| High             | Low   | W     | CDF   | High     | Low   | W     | CDF   |       |
| 22/71            | 10/61 | pc    | 22/71 | 18/62    | pc    | 22/71 | 18/62 |       |
| Austria          | 18/61 | 10/51 | sh    | 22/71    | 17/62 | pc    | 22/71 | 17/62 |
| Antalya          | 19/65 | 12/54 | pc    | 22/71    | 17/62 | pc    | 22/71 | 17/62 |
| Athens           | 24/75 | 14/67 | e     | 25/77    | 17/62 | e     | 25/77 | 17/62 |
| Berlin           | 22/73 | 12/63 | pc    | 22/73    | 12/63 | pc    | 22/73 | 12/63 |
| Bogota           | 20/68 | 11/52 | pc    | 24/75    | 12/53 | pc    | 24/75 | 12/53 |
| Bonn             | 15/65 | 9/49  | pc    | 16/62    | 9/41  | pc    | 16/62 | 9/41  |
| Buenos Aires     | 20/68 | 12/54 | pc    | 22/71    | 9/48  | pc    | 22/71 | 9/48  |
| Budapest         | 20/68 | 12/54 | pc    | 22/71    | 9/48  | pc    | 22/71 | 9/48  |
| Copenhagen       | 11/62 | 8/48  | pc    | 9/48     | 5/41  | r     | 9/48  | 5/41  |
| Dakar            | 22/71 | 12/54 | pc    | 22/71    | 12/54 | pc    | 22/71 | 12/54 |
| Dublin           | 11/62 | 8/48  | pc    | 12/54    | 8/41  | sh    | 12/54 | 8/41  |
| Erlangen         | 11/62 | 8/48  | r     | 11/62    | 8/41  | sh    | 11/62 | 8/41  |
| Florence         | 22/71 | 12/54 | pc    | 21/70    | 13/54 | pc    | 21/70 | 13/54 |
| Geneva           | 18/61 | 8/48  | pc    | 14/57    | 8/41  | r     | 14/57 | 8/41  |
| Helsinki         | 14/65 | 12/54 | pc    | 14/65    | 12/54 | pc    | 14/65 | 12/54 |
| Istanbul         | 21/70 | 12/54 | pc    | 21/70    | 12/54 | pc    | 21/70 | 12/54 |
| Les Palmes       | 23/73 | 20/68 | pc    | 24/75    | 21/70 | pc    | 24/75 | 21/70 |
| Lisbon           | 21/70 | 12/54 | pc    | 19/65    | 12/57 | pc    | 19/65 | 12/57 |
| London           | 14/65 | 10/51 | pc    | 14/65    | 10/51 | pc    | 14/65 | 10/51 |
| Madrid           | 10/65 | 9/48  | pc    | 21/70    | 10/50 | pc    | 21/70 | 10/50 |
| Milan            | 20/68 | 11/52 | pc    | 18/62    | 12/53 | pc    | 18/62 | 12/53 |
| Munich           | 17/65 | 10/51 | pc    | 17/65    | 10/51 | pc    | 17/65 | 10/51 |
| Murcia           | 15/59 | 9/45  | pc    | 14/57    | 9/43  | sh    | 14/57 | 9/43  |
| Nicosia          | 18/61 | 8/48  | pc    | 14/57    | 8/41  | r     | 14/57 | 8/41  |
| Paris            | 22/71 | 12/54 | a     | 20/68    | 13/55 | sh    | 22/71 | 12/54 |
| Rome             | 22/71 | 12/54 | pc    | 19/65    | 12/57 | pc    | 19/65 | 12/57 |
| Riga             | 18/61 | 10/51 | pc    | 16/51    | 8/48  | pc    | 16/51 | 8/48  |
| Rome             | 18/61 | 10/51 | pc    | 16/51    | 8/48  | pc    | 16/51 | 8/48  |
| Rostock          | 4/23  | 2/35  | sh    | 6/43     | 1/34  | sh    | 6/43  | 1/34  |
| Rome             | 18/61 | 10/51 | pc    | 22/71    | 13/55 | e     | 22/71 | 13/55 |
| Saint Petersburg | 22/71 | 12/54 | pc    | 22/71    | 12/54 | pc    | 22/71 | 12/54 |
| Stockholm        | 14/65 | 10/51 | pc    | 14/65    | 10/51 | pc    | 14/65 | 10/51 |
| Turin            | 16/61 | 9/48  | sh    | 14/57    | 7/41  | sh    | 14/57 | 7/41  |
| Venice           | 21/70 | 12/54 | pc    | 20/68    | 13/55 | sh    | 21/70 | 12/54 |
| Vienna           | 19/65 | 8/48  | pc    | 15/59    | 8/45  | sh    | 15/59 | 8/45  |
| Warsaw           | 14/65 | 9/48  | sh    | 14/57    | 8/45  | sh    | 14/57 | 8/45  |
| Zurich           | 16/61 | 10/51 | pc    | 14/57    | 8/48  | sh    | 14/57 | 8/48  |
| Oceania          | 18/64 | 9/48  | pc    | 18/64    | 7/44  | sh    | 18/64 | 7/44  |
| Sydney           | 20/79 | 14/57 | pc    | 24/75    | 10/50 | sh    | 20/79 | 14/57 |

| Today      |       |       |       | Tomorrow |       |       |       |       |
|------------|-------|-------|-------|----------|-------|-------|-------|-------|
| High       | Low   | W     | CDF   | High     | Low   | W     | CDF   |       |
| 22/71      | 10/61 | pc    | 22/71 | 18/62    | pc    | 22/71 | 18/62 |       |
| Austria    | 18/61 | 10/51 | sh    | 22/71    | 17/62 | pc    | 22/71 | 17/62 |
| Antalya    | 19/65 | 12/54 | pc    | 22/71    | 17/62 | pc    | 22/71 | 17/62 |
| Athens     | 24/75 | 14/67 | e     | 25/77    | 17/62 | e     | 25/77 | 17/62 |
| Berlin     | 22/73 | 12/63 | pc    | 24/75    | 12/53 | pc    | 24/75 | 12/53 |
| Bogota     | 20/68 | 11/52 | pc    | 22/71    | 12/53 | pc    | 22/71 | 12/53 |
| Bonn       | 15/65 | 9/48  | pc    | 16/62    | 9/41  | pc    | 16/62 | 9/41  |
| Budapest   | 20/68 | 12/54 | pc    | 22/71    | 9/48  | pc    | 22/71 | 9/48  |
| Copenhagen | 11/62 | 8/48  | pc    | 9/48     | 5/41  | r     | 9/48  | 5/41  |
| Dakar      | 22/71 | 12/54 | pc    | 22/71    | 12/54 | pc    | 22/71 | 12/54 |
| Erlangen   | 11/62 | 8/48  | r     | 11/62    | 8/41  | sh    | 11/62 | 8/41  |
| Florence   | 22/71 | 12/54 | pc    | 21/70    | 13/54 | pc    | 21/70 | 13/54 |
| Geneva     | 18/61 | 8/48  | pc    | 14/57    | 8/41  | r     | 14/57 | 8/41  |
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| Les Palmes | 23/73 | 20/68 | pc    | 24/75    | 21/70 | pc    | 24/75 | 21/70 |
| Lisbon     | 21/70 | 12/54 | pc    | 19/65    | 12/57 | pc    | 19/65 | 12/57 |
| London     | 14/65 | 10/51 | pc    | 14/65    | 10/51 | pc    | 14/65 | 10/51 |
| Madrid     | 10/65 | 9/48  | pc    | 10/65    | 9/48  | pc    | 10/65 | 9/48  |
| Milan      | 20/68 | 12/54 | pc    | 18/62    | 12/53 | pc    | 18/62 | 12/53 |
| Munich     | 17/65 | 10/51 | pc    | 17/65    | 10/51 | pc    | 17/65 | 10/51 |
| Nicosia    | 18/61 | 8/48  | pc    | 14/57    | 8/41  | r     | 14/57 | 8/41  |
| Paris      | 22/71 | 12/54 | a     | 20/68    | 13/55 | sh    | 22/71 |       |